

WORLD NEWS

ITV told of need to cut costs

Independent television companies can survive the next decade as the dominant force in television advertising...

Kinnock shows bullets

Labour leader Neil Kinnock, visiting Israel, showed reporters bullets said to have been fired down by Israeli soldiers...

Anderton escapes censure

Greater Manchester Police Authority decided to take no action against Chief Constable James Anderton...

Minerhunter to leave Gulf

The navy is to cut the number of British minerhunters in the Gulf from four to three...

Waldheim fears chaos

Austrian President Kurt Waldheim, under fire because of his war record, said his country would slide into chaos if he resigned...

Boesky 'death threats'

Wall Street arbitrageur John Boesky appeared in a New Jersey court in connection with death threats against convicted insider-trader Ivan Boesky...

'Noriega deal planned'

US officials may offer to drop indictments against Panama leader Gen Manuel Noriega for drug trafficking and money laundering...

Fourteen die in Namibia

At least 14 people were killed by a bomb in a crowded bank in Namibia. Police blamed rebels fighting for independence...

Gelli stays silent

Italian masonic chief Licio Gelli, extradited from Switzerland this week, refused to talk to Italian investigators about his role in the 1982 Banco Ambrosiano collapse...

US officer 'CIA spy'

Kidnapped UN official Lt Col William Higgins was a CIA spy, said the group - believed to have Iranian links - which claims to hold him...

Seventy missing in river

Seventy people were feared dead after a crowded boat sank in shark-infested waters near the mouth of the Ganges...

Israel's second man

The US believes Israel almost certainly had a second American spy apart from Jonathan Pollard, jailed for life last year in the US...

Boom in US holidays

The strong pound has brought record demand for holidays in the US, with one tour operator reporting more people going there than to Costa or the Costa del Sol...

Right idea

France's extreme-right National Front party has proposed the abolition of income tax in the next seven years...

MARKETS

Table with market data including DOLLAR, LONDON MONEY, NORTH SEA OIL, and STOCK INDICES.

BUSINESS SUMMARY

Dee escapes takeover by Barker

DEE CORPORATION, Britain's third largest grocery chain, escaped the £2bn takeover offer from Barker and Dobson, supermarket and sweets group...

Barker had acceptance for 23.4 per cent of Dee shares at the close of the bid battle, giving it control of 23.9 per cent...

Equities continued to slide in poor turnover as a strong demand for British government bonds from overseas investment funds was chief feature of...

FT Index Ordinary Share (hourly movements) 1400 1395 1390 1385 1380 1375 15 February 1988 19

UK securities markets. Equities managed a minor rally as the market moved into the new trading account at 3.30pm. Market confidence remained low after Midland Bank, BP and Plessey results...

AEROSPATIALE, French state aerospace group, leads the race for a \$240m (£138m) helicopter order from the Brazilian army...

SOCIETE GENERALE, embattled major Belgian company, claimed more than 50 per cent of its shares were in friendly hands...

PRU-BACKE, US investment bank, is to close its primary branch in the UK gilt-edged market after incurring a loss last year...

TEKACO, US oil company facing bankruptcy proceedings, came under added pressure after an announcement that Mr T. Boone Pickens seeks up to 15 per cent of the company...

NEWMAN TONKS, door controls and building supplies group, increased its bid terms for Henderson Group, door and security products company, and declared the offer final...

GUINNESS will announce on Monday that it has re-listed its shares on the Dublin Stock Exchange...

DIXONS, electrical retail group, is expanding its US subsidiary, Sibo, in a five-year deal with Marshall Field's department stores...

MATSUBITA, Japanese electrical goods company, is to open a third plant in south Wales...

SHAREHOLDERS in Enslbank, London-based consortium bank specialising in Latin American lending, have placed a special deposit of \$250m (£143m) with it to protect it from loan losses...

KOMATSU, world's second largest construction equipment maker, reported unconsolidated pre-tax profits down 36.5 per cent, its fifth consecutive year of profit decline...

FORD OF EUROPE increased profits by 93 per cent last year. Net income rose to \$1.07bn (£613m)...

BOND CORPORATION said it had raised its stake in M&G Group, Britain's largest unit trust company to 8.32 per cent...

Blue Circle admits errors in claiming takeover of Birmid

BY MICHAEL SMITH

BIRMIID QUALCAST, the home products company, was last night celebrating the confirmation of its independence after Blue Circle, one of Britain's biggest cement companies, admitted it had wrongly claimed victory in the closely fought takeover battle...

The Takeover Panel said the circumstances surrounding Blue Circle's statement yesterday were "clearly unsatisfactory". It has ordered detailed reports on the "apparent discrepancies" before deciding whether the takeover code should be amended...

The errors are likely to increase pressure for counts in takeovers to be more tightly supervised. One possibility is that accepting banks, which are employed by bidding companies, will be given greater powers so that they will count both shares that have been bought by the bidding company and those for which acceptances have been received...

Mr Alan Enson, the Birmid finance director who has acted as main spokesman during the bid, was yesterday answering calls with the greeting: "Hello, deputy escapist speaking."

His joy at rebuffing an unwanted takeover for the second time in a year - last March Birmid rejected overtures from Hepworth Ceramic - will be tempered by Blue Circle's retention of a 44 per cent stake in the company...

Mr David Poole, Blue Circle managing director, said his company was obviously disappointed that it had lost the bid but he was delighted to have "a 44 per cent holding in a good company. We are going to enjoy it".

The Takeover Code prevents Blue Circle making a hostile bid during the next year although an agreed takeover would be possible. Mr Poole said it was too early to say what his company would do with the stake...

The errors in the counting were confirmed by Blue Circle's advisers late on Wednesday after the panel had ordered an investigation because of the closeness of the result...

When the Hoare Govett don't Continued on Back Page Birmid lives to fight another day, Page 10

Threat of further strikes faces UK motor industry

BY CHARLES LEADBETTER AND RICHARD TOMKINS

THE MOTOR INDUSTRY seems set for further disruption next week despite settlement of the Ford manual workers' strike. Workers at Land Rover and General Motors, and Ford's white-collar staff are considering industrial action...

Land Rover's plant at Solihull could be at a standstill on Monday after 12 hours of talks aimed at averting a strike by 6,000 manual workers broke down early yesterday...

The workers plan an indefinite strike from midnight on Sunday. It would be the most serious stoppage at the company for several years, and there seemed little hope of a seventh hour talks to avert it...

Land Rover says it is offering a deal worth 14 per cent over two years. The unions say the offer is worth only 8 per cent...

once consolidation of bonuses is taken into account. At Ford, some white-collar supervisory staff at the company's Dagenham plant are expected to walk out on Monday over company plans for changes to the task of foremen...

The walk-outs are expected despite a mass meeting of foremen at Dagenham yesterday which decided to delay action until after pay talks on Tuesday with the company...

Supervisors have been angered by the manual workers' agreement, which includes the introduction of group leaders to carry out many routine supervisory tasks even though the company had told the white-collar unions it was prepared to consider possible amendments to its proposed agreement...

Many of Ford's 32,500 manual workers are expected to work this weekend to prepare plants for a return to work on Monday...

Workers at two General Motors components plants - at Kirby on Merseyside and Hendon, north London - have voted to support a plan to alter its pensions scheme...

About 4,000 workers at the Ellesmere Port plant of Vauxhall Motors, a GM subsidiary, have already voted for action, and officials at Vauxhall's car plant at Luton, Beds, have promised a ballot on Monday...

The pension scheme's board will meet on Monday and the company will meet the unions on Tuesday...

The workers go back to the future, Page 9

FORD SHARES PROFITS WITH US WORKERS

FORD MOTOR is to reward its US employees for record corporate earnings last year by paying out \$635m (£400m) under a union-negotiated profit-sharing agreement, writes Roderick Oram in New York...

The company claimed yesterday that the total payment would be the largest made by a US company. For a typical assembly worker eligible for the average \$2,700, the bonus will equal roughly 10 per cent of annual wages...

On Thursday Ford reported record group net profits of \$4.6bn compared with \$3.2bn a year earlier. US profits rose to \$3.44bn from \$2.46bn...

Recorded music sales hit peak

BY DAVID THOMAS

GROWING DEMAND for compact discs is not undermining sales of long-playing records, but is dramatically reducing those of cassettes. Total purchases in the three sectors increased in Britain last year by almost a quarter to a record \$2.25bn...

The industry has not seen growth on this scale since the late 1970s, when a series of successful films like Saturday Night Fever transformed the fortunes of the music companies...

Many observers had expected the growth in CD sales to undermine the LP market. However, the present high level of demand is attributed more to the fact that compact discs are becoming firmly established than to a decline in sales of their lower priced cousins...

CDs, which were launched only five years ago, now account for more than a fifth of UK music companies' revenues, according to figures from the British Phonographic Industry...

However, there are some signs of a slowdown in sales of cassettes, which fuelled the industry's growth before the advent of CDs. The number of cassettes sold grew by only 7 per cent last year, their value was up 22 per cent as more of the cassettes were full-priced new releases, rather than discounted reissues...

The industry has been watching the opening weeks of this year to see whether the buoyant conditions of 1987 will continue. There is considerable uncertainty about whether companies will be forced to cut CD prices as the medium becomes more established...

Mr Paul Russell, UK managing director of CBS, last night predicted that the steady growth in CD sales would continue and added: "I don't get the feeling there's going to be any wholesale cuts in prices of CDs."

However Mr Rupert Perry, managing director of EMI in the UK, was more non-committal on prices. He expected healthy growth in CDs, but said that 1987 was an exceptional year which would not be repeated...

Last year, their sales in volume terms jumped by 117 per cent to 18.2m. The increase in value was slightly lower - by 106 per cent to \$116.5m. This reflected some downward pressure on prices. Sales of LPs were almost static at \$2.2m but their value increased by 4 per cent to \$146.6m...

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Table with market data including FT World Exchange, FT World Futures, FT World Options, and FT World Bonds.

Record building society receipts hit unit trusts

BY DAVID BARCHARD AND ERIC SHORT

NET INVESTMENT in building societies in the three months to January - the period immediately after the stock markets' crash in October - was a record for any three-monthly period, figures yesterday from the Building Societies Association show...

Societies' net receipts last month were \$590m, bringing the total for the three months to \$3.085bn. In contrast, net new investment in unit trusts in January was \$135.8m. Apart from November, when there was a net outflow of funds from unit trusts, that was the lowest figure for more than two years...

Before the crash, unit trusts had been attracting investment of about £1bn a month. Mr Mark Boleat, director-general of the Building Societies Association, said yesterday that the wholesale funds, on which their competitors depend, are once more relatively expensive while retail funds are flooding back...

The savings figures are part of a broader recovery by the building societies, which are also fighting back successfully on the mortgage-lending side against competition from banks and mortgage corporations...

Through final figures for the last three months of 1987 are not yet available, the association estimates that the societies will have ended the year with about 64 per cent of the total mortgage market. Mortgage lending by the societies in January was 50 per cent above the level of a year before at £2.762bn...

Building society lending fell 3 per cent last year while the mortgage market expanded by 11 per cent. In the three months to October, the societies' share of the market fell to less than 50 per cent for the first time...

One factor helping the societies is that the wholesale funds, on which their competitors depend, are once more relatively expensive while retail funds are flooding back. In the unit trust sector, sales of units in January, at \$330m, were barely half the monthly sales in the first nine months of 1987, while repurchases, at \$484.2m, represented nearly 80 per cent of sales...

None the less, the number of unitholder accounts increased by 31,000 during January. However, pressure to cash-in units and take profits remains strong. The partial recovery in share prices after the crash meant total funds under management rose by \$1.4bn during the month to \$37.8bn - nearly \$3bn higher than a year earlier...

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US economic advisers criticise Fed policy

BY ANTHONY HARRIS IN WASHINGTON

US GROWTH this year may depend crucially on the willingness of the Federal Reserve to respond to any further weakening in consumer demand by lowering interest rates, the President's Council of Economic Advisers said yesterday...

The council reports that if a downward spiral is clear between the Administration and the Fed over policy. Given supportive management of monetary policy, the council repeats the official forecast of 2.4 per cent growth this year contained in the budget assumptions published on Thursday. It also argues that the shock to consumer confidence from last October's crash may be helpful in shifting resources into the balance of payments...

However, the council warns that it is not true that if a little consumer retrenchment is good, a lot is better. It is the responsibility of policy-makers to watch closely and to take additional action if it appears that a downward spiral is threatening...

The report echoes, in carefully diplomatic terms, an established administration theme calling for lower interest rates. Mr Michael Darby, Assistant Secretary of the Treasury for economic policy, recently called publicly for similar action. This open political pressure Continued on Back Page

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GUINNESS FLIGHT MANAGED CURRENCY FUND

A STERLING WINNER

Guinness Flight pioneered the concept of the Managed Currency Fund with the launch of the Guinness Flight International Fund-Managed Currency Fund in 1980. As the bar chart demonstrates, the Guinness Flight Managed Currency Fund has proven the concept by substantially outperforming other classes of non equity Sterling assets such as bank and building society deposits and UK Government gilts since its launch some seven and a half years ago...

Isn't it about time you understood the Managed Currency Fund concept? Guinness Flight International Fund Limited is an open-ended investment company registered in Guernsey. All share classes have been admitted to the Official List of the International Stock Exchange, London. Investors are reminded that the value of their shares may go down as well as up.

All returns shown in the bar chart include re-invested income, 23.5.80-31.1.88. *Offer to offer basis.

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WEEKEND FT



A LONG GOODBYE

Many of Ulster's Protestants believe that the Anglo-Irish accord is forcing them into a corner. John Lloyd reports on growing resentment in the province Page I

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Pre-Budget tax planning Page V

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HOW TO SPEND IT

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ARTS

The Berlin Film Festival Page XIII

1985 من الأصل

OVERSEAS NEWS

Reagan's budget drops aid to Ulster

By Lionel Barber in Washington

BRITISH and Irish officials said yesterday their two governments would fund the Anglo-Irish Agreement...

The Reagan administration has provided \$120m in the last three years to underpin the agreement...

When asked about the omission, the State Department said US funding had not produced a real return on investment...

An Irish official in Washington said the prospects for renewed US financial support for the agreement were still good...

The Irish official said: "This is by no means the end of the story. We are very optimistic that Congress will restore the funding."

After the Anglo-Irish Agreement was signed in 1985, the US, along with Canada and New Zealand, agreed to send financial support for three years through an agency called the International Fund...

Congressman Brian Donnelly, a Massachusetts Democrat who chairs the Friends for Ireland committee in Congress, said yesterday that Congress itself had broken the agreement...

He said Congress last year had failed to reauthorize money for fiscal 1989 in an effort to pressure Britain to adopt Fair Employment practices in Northern Ireland...

Sweden goes into deficit

SWEDEN'S balance of payments on the current account deteriorated from a surplus of SKr9.9bn (\$645m) in 1986 to a deficit of SKr1.1bn last year...

The bank said the balance of payments had slipped from a surplus of SKr1.8bn in the first half of 1987 to a deficit of SKr7.9 in the second half of the year...

Warning on banks backing for dollar

THE world's central banks, including members of the Bank for International Settlements, spent \$140bn last year supporting the US currency...

Central banks are not intervening now, and the dollar has held up well, for the time being, he said. "So financial markets have fulfilled their role in financing the US current account deficit" so far.

Israel in \$800m offset deal with US aero group

BY ANDREW WHITLEY IN JERUSALEM

General Dynamics, the leading US aerospace company, has agreed to purchase \$800m of Israeli military and civilian goods...

A memorandum of understanding between General Dynamics and the Ministry of Defence, committing the US company to the purchases over 12 years, was signed in Tel Aviv on Thursday.

Defence Ministry officials yesterday expressed the hope that the total could rise to \$1bn, depending on which engine is eventually picked to power the revamped aircraft.

The accord follows last year's reluctant decision by the Israeli Government to scrap the home-grown Lavi combat aircraft and go instead for a new version of the F-16, designated Peacekeeper...

Among the leading Israeli defence suppliers involved in the agreement are state-owned Israel Aircraft Industries, Tadiran, a major subsidiary of Koor Industries, and privately-owned Eilat. IAI and Tadiran are both expected to report substantial losses for the current financial year.

Western diplomats say final agreement on Israel's new batch of F-16s, which will enter service from 1991 onwards, is likely in April. The package deal is worth approximately \$2bn, including spares, most of which will be financed out of US foreign military sales grants.

Concern within the order-starved Israeli defence industry, hit hard by the cancellation of the Lavi, focused yesterday on the vagueness of the offset memorandum concluded by the Defence Ministry. While \$300m of defence-related equipment has been identified by the accord, primarily for the new aircraft, the bulk of the package's contents was left open for future negotiations.

General Dynamics is understood to have agreed to make half its total purchases from Israel over the next five years. The balance will then be stretched over another five to seven years, under what one source close to the negotiations described yesterday as an "indirect offset" arrangement. A previous offset agreement linked to the 150 order-model F-16s either already delivered or else on their way - provided for purchases by the US company of an estimated \$500m of Israeli defence goods, mostly in the form of components.

Madrid to renew contact with ETA

BY PETER BRUCE IN MADRID

THE SPANISH Government confirmed yesterday that it would renew contacts with the Basque separatist organisation, ETA, having broken them off when a December 11 bomb killed 11 people at Zaragoza in northern Spain two months ago.

Public confirmation, after the regular Cabinet meeting yesterday, followed repeated hints from the Government and its Socialist Party officials recently that peace talks could re-start if ETA showed a sustained willingness to stop killing.

Mr Javier Solana, Government spokesman, said the decision had been taken "in the light of the fact that there have been no killings" in the past few weeks. It was not immediately clear when talks would resume but early next month is possible.

Nearly 600 people have died in the 20 years that ETA has been fighting a separatist war with the Spanish authorities. Last year, Madrid admitted for the first time that it was talking to the terrorist movement in an effort to stem the violence.

The talks, held in Algeria, were first disrupted by the mysterious death in a road accident last March of a senior ETA leader, and again on December 11 when the bomb went off at Zaragoza, killing children.

Madrid has wanted to get the talks moving again but has been somewhat embarrassed recently by offers from ETA of a ceasefire if the government returned to the negotiating table. The Government maintains that it does not negotiate with ETA, but simply discusses its surrender and the political establishment in Madrid, in public at least, saw these offers as further signs of desperation in ETA.

They have lost but they can still go on murdering," declared Mr José Barriomeu, Interior Minister, at the time. ETA has been hurt by a series of arrests in France, which used to be a sanctuary. In another big blow this year, all the main Basque political parties, except Herri Batasuna, ETA's legal political wing, voted to support the Madrid Government's efforts to stamp out terrorism.

Second top Israeli spy suspected in US

By Stewart Fleming, US Editor, in Washington

US JUSTICE Department officials have concluded that Israel almost certainly had a second top American working for it as a spy apart from Mr Jonathan Pollard...

The Washington Post yesterday, quoting what it described as informed sources, said government investigators who were continuing their inquiries into the Pollard case had reached this conclusion on the basis of information they had obtained from the extensive debriefing of Mr Pollard.

The second American has been dubbed Mr X, the newspaper said. The allegation comes on the eve of a visit to Israel next week by Mr George Shultz, the Secretary of State, as part of a renewed effort by the US to revive the stalled Middle East peace process since the outbreak of violence in the occupied West Bank.

Israel officials deny the country has spies in the US government and maintain that Israel does not conduct espionage against the US or its interests. It describes the Pollard case as an aberration.

The report in the Washington Post yesterday said that Mr X was a high-level official who often specified by date and document control number the highly-sensitive US documents they wanted to acquire. The newspaper said it was learned that Mr Pollard did not himself have direct access to this information.

US investigators have concluded that Mr X was either placed on in such a position that he could not regularly gather the documents.

The report quoted one investigator saying that there must have been a link between the arrest of Mr Pollard and US arms sales to Iran.

Within weeks of Mr Pollard's arrest, the US Central Intelligence Agency received Israeli permission to use, for "whatever purpose he wanted", \$900,000 American - from the US National Security Council staff - to help Israel in its operations in the occupied territories.

Public sympathy for Israel, even among many Americans, is already being tested by the violent Israeli response to the riots by Palestinians in the occupied territories.

David Owen tells of an Olympian leaping from last place onto the world's screens

Eddie the Eagle takes flight towards a lucrative future

AT ABOUT 2pm today, a 24-year-old plasterer-cum-babysitter from Cheltenham will climb a 90-metre ski jump tower to resume his quest for a gold medal at the Olympic Games.

As he peers from the top of the chute at Calgary, among his most fervent wishes will be that his glasses do not mist up under his goggles before take-off.

Michael "Eddie" Edwards is a star of the 1988 Winter Olympics. Grenoble in 1988 belonged to the French skier Jean-Claude Killy, Sarajevo in 1984 to the skiers Torvill and Dean. Calgary will go down as the games of an ungainly, bespectacled Englishman. His exploits will probably be recounted long after those of Kristina Witte, Pirmin Zurbriggen and even the Jamaican four-man bobsleigh team have faded from memory.

A trifle disappointingly for more public performers, Edwards' fame rests less on his sporting prowess than on his courage and his peerless rapport with the spectators - as anyone who witnessed the 90-metre jump competition on Sunday will testify.

At the first glimpse of contestant number 24, resplendent in air-force blue and licking the snow off his goggles, the 60,000-strong crowd roared its approval. When Eddie saluted his many admirers, having safely executed an appalling 65-metre jump, arms flailing, legs akimbo, looking more like a geriatric turkey than his chosen ornithological trademark, the eagle, their cheers redoubled.



"Eddie" Edwards, 68th out of 68 ski jumpers at Calgary: "The best day of my life. Great!"

Then, when the scoreboard briefly showed that the intrepid amateur had leapt a respectable 75 metres, for a British record, with his distinctly stylish second jump, there was no containing him. Alas, the scoreboard was

Two weeks ago, two federal grand juries in Florida indicted the general on drug trafficking and money laundering charges, a near unprecedented move against the leader of a foreign power. The indictments - backed by the Justice Department - have complicated diplomatic efforts to remove the general.

'Step-down deal' for Noriega

BY LIONEL BARBER IN WASHINGTON

US OFFICIALS are considering offering to drop federal grand jury indictments against General Manuel Noriega of Panama, if he and his top military associates step down from power and accept a "step-down deal".

A senior State Department official, Mr Elliott Abrams, is understood to favour the idea but it has aroused opposition from the US Justice Department for his removal started after street demonstrations in

Panama erupted in protest against the general's corrupt regime.

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Close result expected in Cyprus poll

GREEK Cypriot voters go to the polls tomorrow to choose between right-wing candidate Mr Glafkos Clerides and Mr George Vassiliou, a communist-backed independent, to be president of the republic for the next five years, writes Andriana Ierodiakonou in Nicosia.

In a televised debate on Thursday night, both men said they would seek a settlement for Cyprus that would ensure the full withdrawal of Turkish troops from the island. Turkey invaded and occupied the northern third of Cyprus in 1974, in the wake of a Greek military coup on the island.

The vote is expected to be close following the decision by outgoing president Mr Spyros Kyprianou not to back either in the second round. He ran third in the first round of voting last Sunday with 27.29 per cent. Mr Clerides won 33.32 per cent and

Mr Vassiliou 30.11 per cent. Mr Vassiliou can count on the support of the Socialist Party, Edeko, which polled 9.22 per cent in the first round. However, the now polarised contest between left and right may allow Mr Clerides to call votes from Mr Kyprianou's centre-right Democratic Party, Diko. In a tactical move to attract Diko voters, Mr Clerides resigned as leader of the right-wing Democratic Rally Party which he founded.

famly. History will record that the plucky Edwards made a second 55-metre jump. This left him comfortably 55th in the 68-man field, almost 160 points and 69 metres adrift of the gold medalist, the flamboyant Matti Nykanen of Finland.

While any other competitor would have been as sick as a parrot at such a performance, the Eddie the Eagle later described his experience as "amazing - the crowd was so enthusiastic. This is the best day of my life. Now I'm an Olympian. Great!"

In fact, flying Eddie, who has taken more tumbles in his 13-month career than most steeplechase jockeys in a lifetime, accumulated fewer points in his two jumps combined than his nearest rival for last place - a certain Bernat Sala from Spain - earned in one. However, he will probably figure in few lists of winter Olympic immortals, nor earn as much money for his pains as the majority of Edwards, whose days of plastering may be numbered.

Since the Games began, he Eddie has been approached by promoters of a slew of goods, ranging from cigars to four-wheel-drive vehicles. Conditions for the budding celebrity's endorsement of their products.

If he plays his cards right, the Eagle's distinctive features may beam out of TV sets during many a commercial break. As for the more ambitious but controversial attempts to survive two more 90-metre leaps into the unknown today, the last laugh may well be his.

Death of Swedish industrialist

AXEL Axelsson Johnson, one of Sweden's leading industrialists, died yesterday, aged 77, in his home in the town of Gothenburg, Sweden. AF-DJ reports from Stockholm.

The patriarch of Sweden's Johnson family, Axel Johnson headed both the Axel Johnson group and the Johnson & Co. group, which he founded in 1873 as a trading company. The company gradually diversified into two groups.

Johnson's only child, Antonia Axson Johnson, owns 100 per cent of the Johnson group, which controls the Johnson & Co. group in Sweden and Johnson in the US. Their combined turnover is about SKr 15bn.

ANY European central bank would, in the present political and economic climate, have to have considerable autonomy from governments, Mr Jacques Delors, the European Commission president, said yesterday. Mr Delors was in effect conceding West German fears about the proposal by Mr Edouard Balladur, the French finance minister, to strengthen the European Monetary System (EMS), leading to a common central bank managing a common currency.

Delors accepts German fears on Euro-bank

By David Buchan in Brussels

ANY European central bank would, in the present political and economic climate, have to have considerable autonomy from governments, Mr Jacques Delors, the European Commission president, said yesterday.

Mr Delors was in effect conceding West German fears about the proposal by Mr Edouard Balladur, the French finance minister, to strengthen the European Monetary System (EMS), leading to a common central bank managing a common currency.

The Germans fear that a common central bank might come too much under the influence of finance ministers, and not have anything like the Bundesbank's constitutional responsibility to price inflation.

Mr Delors was presiding at a press conference held by several captains of European industry who have formed a single group to promote European monetary union. Mr Cornelius van der Klugt, president of Philips, said the group hoped to recruit a leading British industrialist to its ranks. Lobbying the UK to bring sterling into the EMS is one of the group's aims.

Other aims, said Mr Giovanni Agnelli, head of Fiat, and Mr Jacques Solvay, president of the Belgian chemical company of the same name, were to popularise the use of the ECU among European companies and for hotel and petrol pricing.

Austrian current account likely to stay in deficit

BY JUDY DEMPSEY IN VIENNA

AUSTRIA'S current account is likely to show a small deficit for 1988, Mr Thomas Lachs, director of the Austrian National Bank, forecast yesterday.

He reported a current account deficit for 1987 of sch 1.1bn compared to a surplus of sch 2.6bn in 1986. Total foreign reserves showed a slight decrease from sch 123.49bn in 1986 to sch 123.4 in 1987.

Imports rose to sch 407.7bn in 1987, an increase of over sch 2bn compared to 1986. Exports rose from sch 442.2bn in 1986 to sch 345.3bn in 1987. The trade deficit increased from sch 63bn in 1986 to sch 64.5bn last year.

Services earnings show a marginal increase, from sch 24.7bn in 1986 to sch 24.9bn in 1987.

Austria's trade with traditional markets continues to decline. In 1987 exports to eastern Europe fell by 6 per cent

those to Opec countries by 24 per cent and to developing countries by 11 per cent. East European as well as developing countries are cutting imports of consumer goods in an effort to reduce their hard currency debts.

One of the more optimistic trends is Austria's increasing trade with the European Community, in particular with West Germany and Italy. Austria is at present seeking greater access to EC markets.

Exports to the EC in 1987 rose a nominal 6 per cent while Austria's market share of German imports increased from 3.9 per cent in 1986 to 4.1 per cent in 1987, and of Italian imports from 2.1 per cent to 2.3 per cent over the same period.

"The continuing push into the West German market is important. West Germany is importing less but our market share is going up," Mr Lachs said.

He warned that imports were continuing to grow.

French National Front aims to end income tax

BY PAUL BETTS IN PARIS

THE FRENCH National Front has made the ultimate electoral promise. Just as millions of French households are filling in their 1987 tax returns, which must be completed by the end of this month, France's extreme right-wing party has proposed the total abolition of income tax in the next five to seven years.

The proposal may be a transparent electoral gimmick but - in a draft French presidential election campaign where the main parties of the right and left are making every possible effort to avoid addressing concrete issues, except in generalised coarctations - it focuses attention on a critical problem which the next French government will have to tackle.

Although the two leading right-wing candidates, Mr Jacques Chirac and Mr Raymond Barre, have both put their election manifestos into action, the campaign has remained in suspended animation with the country still waiting for President Francois Mitterrand to declare himself the Socialist Party candidate.

Only about half of French households pay income tax at all because thresholds are high. The overall tax burden has grown from 37 per cent of GDP to 46 per cent in 1986, although it eased slightly to 45 per cent in 1987.

The fact that direct taxation is much lower in France than in other main industrialised countries would make it easier for France to abolish income taxes, the National Front argues. Such a measure would entail a loss of about FF 250bn (\$21.5bn) in revenue for the State.

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Other aims, said Mr Giovanni Agnelli, head of Fiat, and Mr Jacques Solvay, president of the Belgian chemical company of the same name, were to popularise the use of the ECU among European companies and for hotel and petrol pricing.

Brazil corruption claims continue

BY IVO DAWNAY IN RIO DE JANEIRO

EFFORTS by the Brazilian Government to counter allegations of widespread corruption in the public service are failing to displease critics.

Despite efforts by the ever-loyal Globo television net, work to avoid showing them on the air, numerous carnival floats and songs in Rio's Sambodromo parade arena this week made reference to malpractice in government and business.

Prominent among them were frequent allusions to the Mishraim - the civil servants so dubbed because of their huge salaries, often more than \$100,000. The most visual image was a model of President Jose Sarney himself, driving a huge train on an attack on Mr Sarney's \$2.4bn north-south railway project. It has been proved that the contract tendering process involved corruption, though the President was not implicated.

A week ago, Mr Sarney used his weekly radio address to the nation to launch his second anti-corruption campaign, charged by church leaders made last month that state tolerance of corruption was worse than under the military.

Denouncing the critics as "a determined group" attempting to undermine institutions, politicians and "our way of life", Mr Sarney blamed the yermisiveness the legal system for many of the difficulties in weeding out the corrupt.

However, hardly a week goes by in Brazil without revelations in the press of dubious dealings in high places.

The last 12 months have seen a state bank buy millions of cruzados worth of shares at prices above those quoted in the market, a nationwide market in university exam papers and "missing" funds in government supervised commodities agencies.

The most damaging allegations are that the Planning Ministry channelled large sums from a special slush fund to the city of Belo Horizonte where the minister, Mr Arnaldo Teixeira, plans to stand for mayor later this year.

Mr Teixeira has since resigned but vigorously denies personal corruption while alleging that he has documents that prove malpractice involving up to \$3bn in business affecting companies and government agencies.

According to the respected news magazine Veja, unnamed but impeccable analysts of the government's accounts, attribute some 1 to 2 per cent of government spending - about \$15bn - disappears each year.

Where President Sarney undoubtedly has a powerful point in his criticism of the grey areas and the laxity of the law. "Here," he said last week, "it is not even possible to catch those that kill."

Judicial power would only be strengthened, he argued, when requirements to catch criminals in flagrante are abandoned.

Much of the problem also stems, however, from the all pervasive spoils system of government that allows jobs, cheap loans and other privileges to those who offer the government support.

No serious charges can be made to stick against the President himself. Where he and his government are politically vulnerable, however, is in their failure to bring those involved to justice.

Mr Sarney said last week: "Those who are trying to stir up the country are those who have most enriched themselves by means of benefits and privileges."

Carnival revellers were in no doubt as to who they thought this small group of politically motivated men were.

FINANCIAL TIMES

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OVERSEAS NEWS

Indonesia police still deployed at loan co-op

BY JOHN MURRAY BROWN IN JAKARTA

INDONESIAN riot police were still deployed yesterday outside the offices of the controversial loan co-operative which was closed down earlier this week. Police confirmed that Mr Yusuf Ongkjeningsaja, the former protestant preacher who heads the Just and Prosperous Family Foundation (YKAM), had been held for questioning. Mr Yusuf Sugama, Indonesia's intelligence chief told parliament that Mr Yusuf and employees of the foundation were barred from leaving the country. The loan scheme, which allows members to withdraw the equivalent of \$3,000 without offering collateral four months after making a \$155 deposit, was described as "illegal" by Mr Rudianto Prawiro the Finance Minister. "Even with my child I would not agree to such an arrangement," Mr Rudianto said in parliament last week. Since starting up last June the foundation has attracted 70,000 depositors, establishing more than 100 branches in 10 of the country's 27 provinces. It is estimated that 18bn rupiah has been extended in loans to members. Its popularity with small traders is partly the result of prohibitive rates of borrowing at state banks where interest is charged at between 18 and 24 per cent. Official opprobrium is more a measure of the Government's caution in all monetary matters. Mr Arifin Siraggar, governor of the central bank was said to be particularly non-plussed by the remarks of some local economists which appeared to condone the fund's operations. Unofficial loan schemes, albeit on a smaller scale, are not unusual in Indonesia. Office workers often pool savings and later bid for the use of the money. Economists say such "harisan" practices accurately reflect the real cost of borrowing. The YKAM is being compared with the infamous "chamoy" fund, a pyramid scheme which collapsed in Thailand a few years ago. Indonesian officials are keen not to see a repeat performance before next month's elections endorsing President Suharto for a fifth five-year term. The affair is further complicated by press reports that the fund is connected to Mr Ibnu Harjanto, a brother of Mrs Tien, the President's wife.

Japan's money supply up

Japan's money supply (M2 plus certificates of deposit) growth rate accelerated in January, growing 11.9 per cent, 0.4 per cent faster than in December, writes Ian Rodger in Tokyo.

The figure, reversing a downward trend in December, is likely to cause renewed concern among Japanese monetary authorities about inflation.

Over the past few months, the Bank of Japan has adopted a passive monetary stance, maintaining easy money conditions to prevent the further rise of the yen, but frequently expressing concern about the high growth rate of money supply.

Bomb in Namibia

A bomb killed up to 15 people at a bank in Namibia yesterday, Reuter reports from Windhoek.

Police said 55lb of explosive were used in the bomb, which exploded in a branch of the First National Bank (formerly Barclays Bank) at Oshakati in the far north of the territory near the Angolan border. Police said: "The whole bank has been demolished. Bodies have been blown apart. We are investigating whether more people could be dead."

Riots bring Jordan, PLO together

BY TONY WALKER RECENTLY IN AMMAN

JORDAN HAS been forced by weeks of rioting on the West Bank and Gaza Strip to renew a working relationship with the Palestine Liberation Organisation, but Palestinian officials are saying the PLO will not accept a "subservient role" in discussions about a peace initiative.

In the past few weeks two PLO delegations headed by Mr Mahmoud Abbas, a Fatah member of the organisation's executive committee, have been received in Amman. Prominent Palestinians in the Jordanian capital say that conversations between PLO officials and Mr Zaid Rifai, the Jordanian Prime Minister, have been blunt.

There is anger in the higher echelons of the PLO at recent Jordanian efforts to encourage the creation of an alternative Palestinian leadership and by what was seen as calculated insults meted out to Mr Yassir Arafat, the PLO chairman, during the November Arab League summit in Amman.

Palestinian officials in regional capitals say the PLO has told the Jordanians it is not prepared to discuss reviving the so-called Amman Accord between Mr Arafat and Jordan's King Hussein in which the two men agreed to work for peace according to UN resolutions.

Western and Arab observers in Damascus, Amman and Cairo say that while the PLO's control over the rebellion in the occupied territories may be tenuous, its status in regional capi-

als has been enhanced by weeks of rioting that have helped once again to focus world attention on the Palestinian issue.

Attempts by King Hussein to refurbish a strained relationship with the PLO reflects concern inside the Jordanian regime at developments in the West Bank and Gaza. There are fears in Amman that unrest could spill over to Jordan.

Another factor said to be pushing Jordan towards co-ordination with the PLO is discreet pressure from the US which realises - although it will not say so publicly - that the PLO must be involved from the outset if any progress is to be made.

Mr Rifai is seen by the PLO as having given encouragement to moves in 1986 and 1987 aimed at creating an alternative leadership to that of Mr Arafat. A minor rebellion involving former members of Mr Arafat's mainstream Fatah faction ended in failure.

Likewise, Jordanian efforts to promote a West Bank economic development plan as a means of weakening the PLO's influence in the occupied territories are also regarded as a failure. There was little Arab support for the venture.

King Hussein is, according to Jordanian officials, recognising that Jordan and the PLO need each other. It may be an inconvenient marriage, say observers in Amman, but circumstances are pushing the two parties reluctantly together.

Kidnapped UN official 'a CIA spy'

By Nora Boustany in Beirut

THE Shi'ite Amal militia and UN peacekeepers in south Lebanon persisted in a search for a kidnapped American officer yesterday while an underground group branded him as a spy using the UN as cover.

The Organisation for the 'Oppressed on Earth, which is believed to have Iranian connections, said in an Arabic type-written statement: "Lt Col William Higgins, an agent for America's Central Intelligence Agency using the activities of United Nations observers as a cover for his dangerous role of espionage, is now in the grip of our heroic struggle." It was accompanied with photocopies of two identification cards.

Col Higgins, the chief of the Lebanon unit of observers attached to the UN truce supervision organisation, was kidnapped near Tyre on Wednesday.

Mr Marrack Goulding, under secretary-general of the UN denied that Col Higgins was in any way involved in intelligence gathering.

"We don't recruit spies and we don't accept spies for this job," Mr Goulding told journalists in Naqoura, the UN headquarters in south Lebanon.

Shi'ite religious and political leaders in south Lebanon said the Col Higgins was kidnapped because he was an American and not because he was working as a UN observer.



Mr Neil Kinnock, the British Labour Party leader, (pictured left with Mr Yitzhak Shamir, the Israeli Prime Minister) warned yesterday that the latest US proposals to resolve the Arab/Israeli dispute should not be an alternative to an international conference under the auspices of the UN Security Council, writes Andrew Whitley in Jerusalem. Any attempt to circumvent a broadly based conference could doom the plans to failure.

He was speaking at the end of a five-day tour of Middle East countries, shortly before Mr George Shultz, the US Secretary of State, is about to embark on a shuttle diplomacy mission to the region.

The coalition Israeli government remains split in its approach to the Shultz mission. Mr Shamir has publicly softened his rejection of key aspects of the US proposals but the gulf with the Labour alignment block headed by Mr Shimon Peres remains wide.

Mr Kinnock told a press conference that he had tried to persuade Mr Shamir to accept the need to speed up the peace process. "Change must start soon," he said, as the situation in the occupied territories would never revert to what it was before the unrest began.

Franco-Australian thaw

BY CHRIS SHERWELL IN SYDNEY

A THAW in France's chilly diplomatic relations with Australia will be confirmed this weekend with the start of a visit by Mr André Giraud, Defence Minister, to Canberra and Sydney. Paris stopped all ministerial contacts with Canberra in 1986 because of Australia's involvement in the successful campaign to have the issue of New Caledonia referred to the UN Decolonisation Committee. Neither side has shifted position on continuing points of difference but both governments wish the visit to succeed. Mr Hawke said yesterday he had told uranium mining companies not to start negotiations for new sales until after a conference of his Labour Party in June.

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41	25	Aspenage Ind. Bldg	25	0	2.1	3.7 8.8
182	108	ASB Corp. (NSM)	156	+1	2.7	1.7 26.7
108	95	Bray Technology	346	0	4.7	3.2 11.7
201	130	CCJ Group Ord.	255	0	11.5	4.5 6.5
217	99	CCJ Group 10% Pref	121	0	15.1	11.6
172	130	Cartersons Ord.	130	0	5.4	10.2
204	92	Chubbemaker 7.5% Pref	201	0	10.3	10.2
185	87	Clayco Ind.	185	+1	5.7	2.0 5.3
185	65	Dee Corp.	65	0	0	0
204	59	Jackie Corp.	91	+1	3.4	1.7 10.1
700	200	Malpasco NV (AngSE)	205	0	10.4	3.3 12.5
10	35	Neveco Holdings 8%	12	0	2.7	4.4 12.5
115	83	Neveco Holdings 10% Pref (SE)	112	0	13.7	12.2
41	40	Robert Jones	40	0	0	2.4
124	30	Servitors	124	0	5.5	4.4 31.8
224	67	Taylor & Corle	195	0	6.6	3.4 9.5
11	32	Tywin Holdings (USM)	60	0	2.7	4.4 6.5
131	41	Unifect Holdings (SE)	66	0	3.0	4.4 10.5
264	115	Walker Alexander	261	0	5.8	3.6 11.9
257	170	W.S. Yates	257	+1	14.0	10.0 45.6
170	67	West York Ind. Hops (NSM)	132	0	6.2	4.7 12.5

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UK NEWS

Financial rules 'will be changed if necessary'

BY IVOR OWEN

CHANGES in regulatory procedures, to apply to the financial services sector from April, would be introduced as speedily as possible should events show the need for them, Lord Young, the Trade and Industry Secretary, told the House of Lords yesterday.



Lord Young, acknowledges worry in the City

He acknowledged that many in the City were worried "with cause" about the impact of central provisions in the Financial Services Act and urged them to take solace from a sporting analogy.

spokesman on trade and industry, that the Government had rebuffed Britain's manufacturing base before the decline in revenue from North Sea oil accelerated.

Waldheim inquiry will look at US war files

By Peter Riddell, Political Editor

THE British Government's re-examination of the war record of Austrian President Kurt Waldheim is to be international and much more extensive than merely a review of UK official files.

The files were flown over from the US earlier this week as part of the inquiry ordered by Mrs Thatcher into President Waldheim's wartime record as a lieutenant in the German army.

Maggie Urry and Paul Cheseright on joint shopping centre moves

ON TUESDAY Marks and Spencer and Tesco will together open the Brookfield Centre near Cheshunt, Hertfordshire, an out-of-town shopping centre with one of each of their stores.

of, for example, the same cut of meat at a different price in the two food departments will not confuse shoppers.

15 minutes drive and 2.3m within 30 minutes drive Tesco has operated a smaller store there for five years, with 35,000-40,000 customer transactions a week, as well as a shop in Cheshunt itself.

M and S branches away from high street

MARKS AND SPENCER has 8.5m square feet of shopping space on the country's high streets, but it plans to develop another 1.6m square feet in out-of-town centres.

SHOPPING CENTRE FLOORSPACE table with columns: Region, Existing stock, Existing stock per capita, Under construction or with planning consent, Existing or planned per capita

shopping should not be about in-town or out-of-town, but about whether in 10 years' time Britain will have created what he calls "an overshoot" - too many shops for too few customers.

have in the UK. The effect has been to rob city centres of vitality, precisely what government and local authorities are trying to avoid in Britain.

Caution urged on Budget

By Peter Riddell

A WARNING against excessive expectations of big pay-outs in the March 15 Budget was given yesterday by Mr Kenneth Clarke, the Chancellor of the Duchy of Lancaster and Industry Minister, following Thursday's discussion of the economic outlook by the Cabinet.

Benn calls for state control of the City

BY PETER RIDDELL, POLITICAL EDITOR

AN INCOMING Labour government should use its statutory powers to give directions to the Bank of England in order to gain control of the City of London, Mr Tony Benn last night urged in a wide-ranging policy statement which will further annoy Mr Neil Kinnock, the Labour leader.

which governments could abrogate treaties unilaterally. Moreover, "we might make minor adjustments to the Employment Acts to extend the right of individual trade unionists to vote not only for their own executives, but also to elect and remove boards of directors of companies for which they work, and in this way carry the democratic argument right into the enemy camp, making 'democratisation' our answer to 'privatisation' and extending it across all major companies in both the public and private sector."

Societies bring fewer mortgage arrears cases

By David Barnard

BUILDING SOCIETIES had to deal with fewer cases of mortgage arrears during the second half of last year than in the first half, according to figures published yesterday by the Building Societies Association.

Eli Lilly boycott 'misinformed'

BY PETER MARSH

ELI LILLY, US maker of the banned anti-arthritis drug Opren, said yesterday that the British-based campaign to boycott the company's products was causing it concern but was "founded on misinformation."

chairwoman of the Opren Action Group, said her group was determined to press ahead with a boycott of Lilly's products to force the company to increase its compensation.

Plessey in Army field radio talks

By Michael Dornes, Aerospace Correspondent

THE MINISTRY OF Defence confirmed yesterday that negotiations are under way with Plessey Defence Systems on a contract to update the Plessey radio communications system currently in service with the British Army.

Tractor exports rise in value

BY NICK GARNETT

THE UK tractor-making and agricultural machinery industry has made a significant contribution to the economy by increasing its balance of trade surplus last year by a third to \$339m.

whole. Other sectors producing net trade earnings include construction machinery and power generation equipment.

Agricultural machinery, excluding tractors and made up largely of British-owned companies also improved its position but remained a net importer of equipment.

Woolworth director leaves group

BY MAGGIE URRY

THE former deputy chief executive of Woolworth Holdings plc, Mrs Helen Parkinson, has resigned last November Mr Pretty was reassigned to Kidstore. It is thought his departure follows dissatisfaction with the move.

Biotechnology trust reports share fall

BY DAVID FISHLICK, SCIENCE EDITOR

THE NET asset value of shares held by Biotechnology Investments Limited (BIL), the N.M. Rothschild trust specialising in biotechnology companies, fell sharply in the half-year ending November 30.

Drug Administration withheld the widely expected approval for the Californian company's new cardiovascular drug, TPA, last summer.

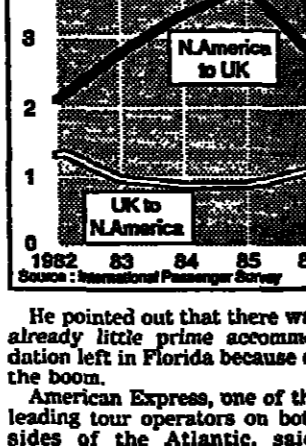
and 15 came from the UK. All five of BIL's new unquoted investments are in the US.

David Churchill looks at the effect of the weak dollar on the tourist industry in Britain and the rest of Europe

Demand for US holidays puts Mediterranean in the shade

THE US is proving to be a more popular holiday destination this year than some parts of the Mediterranean.

Tourism at the Department of Employment, said: "With the weaker dollar and the presidential election possibly keeping Americans at home, the competition for tourists can only get more fierce."



"Heavy summer holiday booking over the last few weeks has eaten up much of the spare capacity in the peak slot between mid-July and the end of August."

Mr Lester Porter, American Express tour operations director, said that while Florida was experiencing the biggest boom, there were still plenty of other attractive holiday destinations such as the west coast and the Rockies.

BA admitted that leisure travellers from the US were down last year, although it said there had been an increase in business traffic.

Mr Robin Lees, chief executive of the British Hotel and Restaurants Catering Association, said: "Hotels and restaurants now believe that this year will not be as bad as some had initially thought when the dollar was falling last year."

Bank in gilts sale next week

THE BANK of England yesterday said it would have Monday 5,000m of existing gilts in three tranches, consisting of both conventional and index-linked stock.

Handwritten Arabic text: 50 من الأصل

Rifkind urges local control of Scots economy

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

THE GOVERNMENT wants to see a large sector of the Scottish economy under Scottish ownership and with decision-making located in Scotland. This is to be achieved by encouraging indigenous Scottish companies and by privatising nationalised industries located in Scotland, Mr Malcolm Rifkind, the Scottish Secretary, said yesterday.

In a speech to the Confederation of British Industry Scotland, Mr Rifkind rejected a policy of subsidising Scottish heavy industry. "Companies that appear to depend on political guarantees for their survival are, by definition, assumed to have little economic rationale," he said.

He said the Government's recent statement - that under a privatised British Steel Corporation, steelmaking would continue at the company's Ravenscroft plant for at least seven years, subject to market conditions - "may not be a fully bankable guarantee but it is far better than most expected and far longer than other employees in other industries receive."

On the question of whether Scotland is becoming a "branch economy through mergers,

takeovers and the growth of multinational companies," Mr Rifkind said takeovers were a worldwide trend which in some cases harmed Scottish companies and at other times were a prerequisite to saving jobs, or growth or to viability.

"As a general rule government interference is undesirable, although there have been, and there remain, specific circumstances where the national interest does justify a referral to the Monopolies and Mergers Commission or comparable intervention."

But a fence around Scotland preventing takeovers by outsiders would be incompatible with an integrated British economy and with the objective of a single European market.

The answer was to encourage indigenous Scottish companies, which the Government was doing through its reform of the patent system. "The emphasis is on helping small businesses," he said. "The reality is that the free operation of the market could increasingly favour Scotland and the regions. The south-east is becoming congested with massive extra costs, high overheads and a relatively poor quality of life."

Royal Navy to remove minehunter from Gulf

THE ROYAL NAVY is to cut the number of British minehunters in the Gulf from four to three. Mr Ian Stewart, the Armed Forces Minister, confirmed yesterday.

The remaining British force will work closely with other navies in the area, particularly the Belgians and the Dutch, to co-ordinate mine-clearing work.

The British move follows recent discussions between Mr George Younger, the Defence Secretary, and his Belgian and Dutch counterparts.

The three nations have worked increasingly together, particularly in an operation to look for mines north-east of Qatar. It is expected the Dutch and the Belgians will each keep just one of their vessels on station.

The three countries decided it was unnecessary to set up a single command. "The system already works well," said a senior Navy official.

No new mines have been found recently in the Gulf. However, there is international agreement that a viable mine-sweeping force is essential because of the ease with which new mines can be laid.

The minehunters Hurworth and Brocklesby and the support ship Abdiel are already on their way back to Britain.

Richard Tomkins looks at attempts to start work on WonderWorld recreation city Corby wonders when fantasy will be reality

A WAG with a paint spray summed it up: on the hoarding that proclaims the site of WonderWorld, the long-awaited recreation city which private developers plan to build near the Northamptonshire town of Corby, the anonymous dauber had written: "Wonder when?" The message was swiftly expunged, but the question was less easily dismissed from the minds of Corby citizens. After seven years of alternating between hope and despair, they are impatient to know whether this vast project is ever going to leave the drawing board.

At last, and for better or for worse, they may be about to find out.

WonderWorld's advisers, already having secured £95m of debt finance towards the £190m first phase of the scheme, are now trying to complete one of the City's biggest private fund-raising exercises by placing a matching £95m of equity with investors in the UK and overseas.

If they succeed, they will have laid the foundation stones for a theme park which is forecast to expand from its opening in 1991 to the point where it attracts more than 4m visitors a year and provides about 8,000 jobs for the one-time steel town of Corby by the turn of the century.

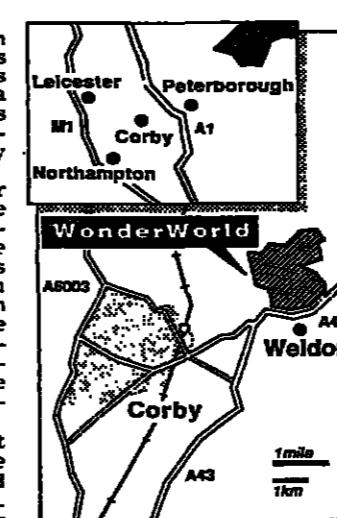
WonderWorld, far more than just a high-tech fairground, is intended to inform as well as entertain something like a cross between last century's Great Exhibition at Crystal Palace and the present-day Disney theme parks.

WonderWorld would cover 1,000 acres of former iron ore workings a mile and a half outside Corby, dwarfing the nearby village of Weldon. At its centre would be a glass pavilion about five football pitches in length and housing some of the 13 planned themes such as StoryWorld, SportsWorld, Sea-Scape and TechnoWorld. More themes would be housed in satellite pavilions.

A concert hall would seat 4,200 people, an open-air venue another 30,000, and a covered sports stadium about 10,000. Hotels would provide beds for 6,000 visitors and other amenities would include an 18-hole golf course designed by Jack Nicklaus.

Corby was chosen in 1981 as the site for the scheme, which was conceived 15 years ago by Mr Gerald Baptist and Mr Iain Quicke, marketing consultants.

However, there have been several false starts on the project and the current £190m proposal, incorporating six of the 13 planned themes, represents just the first phase.



The long lead time has also offered opportunity to secure the backing of a strong team.

The theme park would be managed by Club Méditerranée and Havas Tourisme of France, with the construction undertaken by Bouygues of France with Kier of the UK. WonderWorld's chief financial advisers include merchant bank Security Pacific and its UK stockbroking subsidiary Hoare Govett, which is placing the equity.

WonderWorld's board, chaired by former Conservative minister Lord Eden, includes Mr George Walker, chairman of Brent Walker, and Sir John

Read, chairman of TSB. WonderWorld secured its £95m of debt financing in November with relatively little difficulty.

The drawing down of the debt, however, is conditional on WonderWorld's success in raising a matching £95m of equity. This part of the deal is proving problematic because, even before the stock market crash, institutional investors were reluctant to participate in unproven start-up ventures.

Another hurdle is the City's lack of experience with any similar leisure investment. Theme park theory is largely untested in the UK. WonderWorld resents comparisons with Alton Towers and Thorpe Park, dismissing them as thrill parks. The only project which might have been comparable - Britannia Park in Derbyshire - went into receivership in 1985, shortly after opening.

The difficulties in finding takers for WonderWorld's equity have already delayed the placing beyond its planned completion date of January.

WonderWorld says it has placed half the equity with UK institutions and is now in talks with companies in Tokyo, Hong Kong and New York which are interested in taking up the rest. However, the existing backers' commitment is not open-ended, and if agreement is not reached soon, one or more will inevitably pull out.

Co-founder Mr Quicke is confident that the financing will be found. If not, he says he will

take what has become his life's work to Japan.

In Corby, disappointment over an unfavourable outcome may be tinged with relief at a decision.

When WonderWorld first came to Corby, the town was still reeling from the loss of its steel manufacturing industry - a blow which cost it well over 10,000 jobs and turned it into one of the most depressed areas of the country.

Not surprisingly, it saw WonderWorld as its salvation and welcomed the project wholeheartedly. However, the town also threw itself into attracting new industry to the area. Now, having whittled unemployment down from its peak of 29 per cent in 1981 to 11.7 per cent, it can afford to be cynical about WonderWorld.

This cynicism is not shared by all. Many local people still welcome the idea of WonderWorld and the extra employment it would bring, particularly for school-leavers.

Others, however, think uncertainty over the scheme has hindered the town's development. Employers, they say, have been deterred from coming to Corby for fear that they would face labour shortages if WonderWorld were ever to take off.

Patent Office move will create 500 jobs

BY PETER RIDDELL, POLITICAL EDITOR

THE Patent Office is to move from London to Newport in south Wales, creating at least 500 jobs locally.

The decision, announced yesterday by Mr Kenneth Clarke, Industry Minister, will take about three years to implement. Only a modest public office will remain in London.

The Government had been considering the possibility of relocating the Patent Office to Cardiff or Newport. After consultation with the Environment and Welsh Secretaries, Mr Clarke decided the move should be to the site in Newport already occupied by the Business Statistics Office of the Department of Trade and Industry.

Mr Peter Walker, the Welsh Secretary, welcomed the move as another decision helping "to turn south Wales into one of the important service centres of western Europe." He also referred to the recent decision of the Trustee Savings Bank to bring 2,000 jobs to Newport

and to the intention of Chemical Bank to site its administrative centre in Wales.

In a separate announcement yesterday Mr Clarke said that 148 London-based staff of the insolvency service would be relocated in Birmingham in 1989. This, he said, followed a thorough review of the DTI's scope for moving staff to locations other than London, where the cost of accommodation is very high.

Mr Clarke added that the type of work carried out by the staff will be confined to areas not require their location in any particular area. He claimed that the proposed move would improve the cost-effectiveness of the DTI.

He also believed the move would "make a worthwhile contribution to the strong revival of the local economy in the west Midlands."

The insolvency service already has a considerable presence in Birmingham.

Matsushita to open third factory in south Wales

BY ANTHONY MORETON, WELSH CORRESPONDENT

MATSUSHITA, the Japanese company better known by its consumer name Panasonic, is to open a third plant in south Wales in a £7m development.

It has taken a site from the Welsh Development Agency at Baglan Bay, not far from British Steel's giant Port Talbot works, to produce microwave ovens, colour TV sets and video recorders.

The factory, which will be producing its first goods by May, will initially employ 50 people. Mr Yoshio Yamamoto, president of Matsushita Electronic Components, said at the launch yesterday that the number would rise to 120 within two years.

The company had looked at sites in assisted areas in the north-east of England and in Scotland, he said, but Wales had been chosen because "the workers are extremely good and because of its convenient location for supplying other

European markets.

Mr Peter Walker, the Welsh Secretary, welcomed the announcement as "an important and very welcome addition to Japanese investment in Wales."

The decision indicated that the next wave of foreign investment would include suppliers of components to companies established in Britain, he said.

When the Baglan Bay plant opens more than 5,000 workers will be employed by Japanese companies in Wales, the largest single concentration in the UK. Seventeen companies have invested more than £170m.

For Matsushita the decision is important in that it makes it the largest Japanese company operating in Britain. Its 1,500 workforce will take it ahead of Sony, in Bridgend, south Wales, and Nissan in Washington, Tyne and Wear, although the north-eastern car maker will soon become the number one when it expands output.

Labour to use Red Cross symbol despite warning

THE LABOUR PARTY is to go ahead with distribution of campaign pamphlets bearing the Red Cross symbol, in spite of a claim by the Ministry of Defence that this may be illegal.

Mr Peter Mandelson, Labour's director of communications, said yesterday that the Ministry of Defence's intervention in this affair seemed "clearly politically motivated."

Under the terms of the 1957 Geneva Conventions Act, Ministry of Defence permission is required before the Red Cross symbol can be used.

But Labour said use of a red cross on its pamphlets urging

more cash for the National Health Service did not breach the act because it was not on a white background.

The ministry had written to Labour's general secretary, warning him that what the party had done could be illegal. Mr Mandelson wrote back yesterday: "You will be aware of the clear legal advice we have received that we have not offended the provisions of the Geneva Conventions Act."

He added that the Defence Ministry's intervention seemed clearly politically motivated.

The British Red Cross Society said yesterday it would take legal action against the Labour Party if it could.

Dixons expands American outlets

BY MAGGIE URRY


DIXONS, the electrical retail group, is expanding its US subsidiary Silo by opening electrical departments in 16 Marshall Field's department stores. Marshall Field's is a subsidiary of BAT Industries.

Dixons acquired Silo in May 1987 and later bought Target, to become the second largest power retailer in the US with 160 stores.

However, Silo is not represented in some important areas such as Chicago, Florida, Los Angeles and Manhattan.

The five-year deal with Marshall Field's will take Silo into four Marshall Field's stores in Chicago, and another 12 in Illinois, Wisconsin and Texas. Once the base has been established, Silo will open 20 or more free-standing shops in the Chicago area.

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I shall recreate my family.
I shall make my fortune.
I shall be Prime Minister of England.
And I shall make you happy until the end of my days."



Joe Haines

(And his wife, Betty, says he has kept all but one of these promises)

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And in next week's Daily Mirror.

CBI in threat to wages councils

BY JOHN GAPPER, LABOUR STAFF

THE Confederation of British Industry is to consult its members to see if there is widespread dissatisfaction over the role of wages councils in a move that could clear the way for the Government to abolish them.

The CBI's support for the 26 wages councils - which set minimum wage rates for employees over the age of 21 - was crucial in persuading the Government to take young workers out of their scope in 1986 rather than abolishing them.

The initiative follows widespread dissatisfaction among retail and hotel and catering employers at the level of recent pay settlements fixed by wages councils in their sectors.

Employers in these sectors

argue that their wages councils have increasingly tended to see their role as setting the actual level of pay in the sectors rather than establishing a minimum that allows companies flexibility.

Several employers have written to the CBI stating their views, and complaints have also been made directly to the Government. The CBI believes that the balance of feeling may be swinging against wages councils.

Leaders of the Retail Consortium, which represents employers of about 1.5m staff, met Mr Norman Fowler, Employment Secretary, last November to record their disquiet about the two wages councils in the sector.

That move followed discontent over a 6.4 per cent settlement for about 700,000 retail workers agreed by the Retail Food and Allied Trades Wages Council earlier in the month, which led to public protests from the employers' side.

Trade unions and organisations representing the low paid fear that the Government would welcome any initiative from the CBI to abolish wages councils as providing the necessary excuse for it to remove statutory minimum wage provisions.

At the time of the 1986 Wages Act - which limited the wages councils to setting a single minimum hourly pay rate for those over 21, a single overtime rate, and a maximum

charge for employee accommodation - the Government cleared the way for their future abolition. It did so by abandoning convention 26 of the International Labour Organisation - which specifies that all signatories must specify a minimum wage mechanism.

Some Conservative MPs were annoyed that the Government had not taken the full step of abolishing wages councils. They regarded this as a test of the Government's willingness to remove labour market restrictions.

However, the fact that CBI members were in favour of retaining wages councils was influential in persuading the Government not to abolish them.

Move for joint TV-am action

LEADERS of the National Union of Journalists yesterday held back from issuing an instruction to individual members to stop them working at TV-am, the independent television station, in an effort to avoid immediate conflict.

The union's national executive decided instead to back an initiative by national officers of the NUJ, the EETPU electricians and the Beta studio and clerical staff union to try to persuade all staff to take industrial action together.

The move came as TV-am announced that it had dropped plans to bring a small number of technicians from Australia to undertake key functions at the station following the dismissal of 229 technicians.

The company said that it had decided it had no need to bring in technicians because it was being "flooded" with applications from staff in Britain to take the place of the sacked members of the ACTT technicians' union.

It disclosed that it had signed an agreement with Cable News Network, the US company, to supply news material. Broadcasting unions fear the spread of satellite and cable stations could threaten traditional union organisation.

The joint initiative by Beta, the NUJ and the EETPU was welcomed by Mr Alan Sapper, ACTT general secretary, who said that it would be a "great help" if it was effective in persuading TV-am to negotiate with the ACTT.

It follows a vote by TV-am journalists not to take industrial action against the company's "current methods of operating." NUJ leaders do not believe that this precludes a second ballot on the issue of working with non-union technicians.

Leaders of the ITV Association and the Musicians' Union failed to resolve a dispute between the union and London Weekend Television about the status of an independently produced film serial.

LWT withdrew its \$4.5m backing for the Betty serial after the union said that its members should be paid according to an agreement applying to ITV companies, rather than independent productions, because it was fully-financed.

English China Clays chief

ENGLISH CHINA CLAYS, the Cornish-based industrial minerals, quarrying and construction group, is appointing Dr Stan Dennison as group chief executive from March 1. Dr Dennison will relinquish the offices of deputy chairman and managing director of ECC International and join the boards of ECC Quarries, ECC Construction, Heavy Transport (ECC) and IDF International.

SVENSKA & COMPANY, London stockbroking subsidiary of Svenska Handelsbanken, has appointed Mr Douglas Brae as director, Mr Stephen Cook, and Mr Richard Stone as directors.

Mr Peter Happe has been appointed managing director of ARTHUR YOUNG CORPORATE RESOURCING. He was a director.

Mr Paul Boni and Mr Andrew Holloway have been appointed directors of Berry Birch and Noble (Financial Services); Mr Stephen Barrows becomes a director of Berry Birch and Noble (Insurance Brokers); and Mr Colin Keith, who is managing of Berry Birch and Noble (Insurance Brokers), is also made a director of Noble and Wilkins. The companies are in the BERRY BIRCH & NOBLE group.

Mr Charles Russam has been appointed managing director of TANSTEAD ASSOCIATES.

Mr Mike Marshall, general secretary of the Beaverbrook foundation, has been appointed a non-executive director of DECLAN KELLY.

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Mr Michael J. Barrett, chief executive officer of ALEXANDER STENHOUSE EUROPE, London, has been appointed a

principal UK subsidiary, goes to Chicago in April as senior executive vice president of Shatkin Trading Company, the group's largest subsidiary.

Mr John G.H. Hirsch has been appointed a non-executive director of STENTON.

Mr Tim Walker-Arnott has been appointed a director of GUINNESS MAHON & COMPANY, with responsibility for property activities.

Mr C.J. Bushell, managing director of Davidsons, has been appointed group managing director (paper and non-gyp sum building products) for BPB INDUSTRIES. He continues as managing director of Davidsons, and becomes chairman of that group.

Mr Jim Glover has been appointed to the board of STERLING CROFT.

Mr Rowan O'Neill has been appointed general manager of RHP AEROSPACE.

WAVERLEY CAMERON, Edinburgh, has appointed Mr Graham F. Watson, a director of Noble Gossart, as a non-executive director.

Mr Berkeley Fenne has been appointed managing director of FROUDE CONSOLE, a member of the transport equipment division of FKI Babcock. He was director and general manager of GEC Industrial Controls.

CARADON PLASTICS has appointed Mr David Simons as its first finance director, and Mr Tony Riley as managing director of Caradon Oxford, formerly Salters Plastics and recently acquired from Staveley Industries. Mr Simons was a managing consultant with Coopers & Lybrand. Mr Riley was managing director of Jamek Fabrications.

Mr Michael J. Barrett, chief executive officer of ALEXANDER STENHOUSE EUROPE, London, has been appointed a

director of Alexander & Alexander International Inc., a member of the executive and operations committee of that company, and of the Alexander & Alexander global retail insurance broking board. Mr Raymond A. Decarie, member of the directorate and chief executive officer of Societe Generale de Courtage D'Assurances, has been appointed to the board of Alexander Stenhouse Europe as chief operating officer of southern Europe. Mr Roger de Vilder, chairman of the executive board of Bekouw Mendes Holding, has been appointed to the Alexander Stenhouse Europe board as chief operating officer of northern Europe.

Mr Shaun Connor and Mr Piers Rouse have been appointed joint managing directors of SHEARMAN FINANCIAL SERVICES.

THE STANDARD LIFE ASSURANCE COMPANY has appointed Mr Dick Barfield as chief investment manager from April 1. He was senior investment manager for UK equities.

Mr T.H. Keen has been appointed chairman of WOLFF STEEL, Swansea, following the death of Mr F.F. Wolff.

Mr Keith Kaye is to be managing director of LADA IMPORTS.

Mr John H. Harris has been appointed treasurer of TOZER KEMSLY & MILLBOURN (HOLDINGS).

STEMCOR U.K., formerly Coutinho, Caro & Co. U.K., has appointed Mr Trevor Campbell Smith as managing director. Mr David Mogford has been appointed a director and Mr Ben Astenborough an alternate director.

Mr Nicholas Irvine has joined the MILLER GROUP as a main board director and managing director of Miller Developments. He was a director of Trafalgar House Developments and the development subsidiary of the English Property Corporation.

TUC plans work safety campaign

By David Brindle, Labour Correspondent

THE TUC is launching a campaign to try to ensure that every unorganised workforce has a designated safety representative.

The move follows concern expressed in the last annual report of Mr David Eves, the chief inspector of factories, who noted that safety representatives were still few in number in some industries - particularly construction.

The TUC is also urging unions to review workplace agreements on health and safety representatives and safety committees.

Mr Norman Willis, TUC general secretary, said: "Britain's declining record on health and safety is a badge of shame. Our campaign is designed to help prevent many people suffering avoidable death or illness at work."

Industry's health and safety record has worsened markedly during the 1980s. Although latest figures, for 1986-87, suggested that the rise in the number of "major" injuries may have levelled off, the figures are not directly comparable with those for previous years.

The TUC is calling on the Government to increase its commitment to £98m to £200m to the Health and Safety Executive, and is pressing for extra resources for local authorities to help enforce health and safety laws.

The TUC also wants restoration of the HSE's pre-1979 staff levels and improvement of the staff's pay and conditions. It says the HSE will need extra funds to meet its standards and deal with fresh legislation on workplace hazards.

The number of factory inspectors fell from 664 to 626 between 1980 and the end of last year, although the decline has since been arrested.

QE2 faces action in Australia

BY OUR LABOUR STAFF

CUNARD, the shipping company, attempted yesterday to obtain an injunction to stop members of the National Union of Seamen on board the liner QE2 from taking industrial action that could halt the ship in Adelaide, Australia this morning.

About 150 NUS members working in the deck and engine areas had planned to refuse to take the ship out of port again once it had docked as part of a dispute over pay and conditions. This could halt the QE2 in the middle of a passenger cruise.

Cunard said that it was seeking an injunction under the Merchant Shipping Act on the grounds that it was illegal for

the seamen to take action while the ship was at sea or in a foreign port.

NUS members said that the dispute had arisen over the company's unwillingness to change rosters to allow QE2 workers to work for two voyages out of three.

The pattern at the moment is three voyages working to one resting, and the company was said to have offered extra leave to some grades, and a simple pay increase with a bonus pay for long-serving staff to others.

The crew was said to have balloted on taking industrial action in protest, and decided to take action in Adelaide because it believed that Australian dockworkers would be

unwilling to allow the ship out of port again with a replacement crew.

Mr Mike Gibson, NUS chief research officer, said he could not comment on the QE2 dispute. The union's leaders are wary of becoming embroiled in a local dispute soon after legal action against them over the national ferry strike.

The company was said to have offered a two-year deal which would, in the first year, allow petty officers 10 extra days leave per year. Other grades would receive a flat rate salary increase of £500 and long-serving employees a £200 bonus.

The company said that it could not comment on the details of any negotiations.

Civil Service unions set to reject offer

BY OUR LABOUR CORRESPONDENT

THE Civil Service unions look set to refuse to sign an agreement that would end a long-running staff in offices with recruitment and retention difficulties.

Leaders of the National Union of Civil and Public Servants and the Civil and Public Services Association, the two largest of the five main Whitehall unions, are expected next week to oppose the pay plan and thereby veto an agreement.

The Treasury has presented a final version of the plan to the unions. It proposes pensionable supplements of up to £600 a year across the country but makes clear that they would mostly be applied in London and the south-east.

The unions have been warned that if they do not accept the plan, an earlier version - probably less advantageous - could be imposed on departments.

However, the executive council of the NUCPS is expected on Thursday to support a recommendation from the union's pay committee to oppose the plan. On Friday, the CPSSA's national executive committee is likely to follow suit.

This would mean the Council of Civil Service Unions could not sign a general agreement, though at least two of the other unions are thought to favour doing so.

Meanwhile, union leaders yesterday stepped up their criticism of the Government's proposals, announced on Thursday, for creation of semi-autonomous agencies within Whitehall.

The proposals, initially for up to 12 agencies employing one in eight civil servants, were less far-reaching than had been expected. However, the unions believe the future implications could be wide-ranging.

A meeting of about 1,000 staff of the Driver Vehicle Licensing Centre at Swansea, one of the 12 proposed agencies, was told by union leaders yesterday that there had been no consultation.

Mr Leslie Christie, NUCPS general secretary, said yesterday the Government's proposals were "a massive confidence trick."

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Call for chemicals 10% equality rise

BY PHILIP BASSETT

EMPLOYERS in the chemical industry need to increase their wage bill by 10 per cent in order to end pay discrimination against women in chemicals, according to the GMB

In an extensive study of the pay and conditions of women in the industry, which the GMB claims is the first ever carried out by a trade union, the union says a survey based on shop

stewards' reports shows "massive bias" against women.

To end what it sees as this discrimination, the union says that about £400m in new money needs to be added

Protest over NHS

ABOUT 5,000 people took part in a demonstration in Manchester yesterday over NHS funding.

The protest was organised by health service unions.

Richard Tomkins on the planned strike at Land Rover

A bigger slice of the company cake

PLANS FOR A STRIKE at Land Rover from midnight tomorrow are not part of a complex struggle over manning levels, productivity agreements or changes in working practices. The issue's very simplicity is alarming.

It is a case of the workers seeing their company making more money and wanting a share of it. Employers in other newly profitable manufacturing companies, anxious that they might face more assertive unions, would have had their worst fears confirmed by the words of one Land Rover worker walking out of the gates yesterday afternoon.

"We've had two years of profits now and it's about time they gave us a better whack of it," he said. "They say the managing director had a 17.5 per cent pay rise last year. How does that sit with what they're offering us?"

Strike-free since the 1970s apart from a two-day dispute in 1981, Land Rover has only recently emerged from a period

of sharply declining sales and heavy losses, brought on by a decline in its third world markets, and the upsurge in worldwide competition from four-wheel-drive manufacturers overseas, particularly in Japan.

The company responded by switching its marketing strategy towards the developed nations and taking its product range up-market. It also attacked its cost base, closing down more than a dozen satellite plants in 1986 and concentrating production at one big plant in Lode Lane, Solihull - the centre of today's dispute.

Sales of the traditional Land Rover vehicle - 40 years old this April - fell from 22,000 in 1985 to 18,000 last year, but Range Rover sales shot up from 14,720 to 20,505. Full-year profit figures for last year have not yet been released, but Land Rover reported an operating profit of 7m in the first half compared with 3m for the whole of 1986.

There is still a long way to go, but the company's profit-

bility has added another dimension of uncertainty for the workforce.

Land Rover has been scheduled for privatisation by the end of this parliament. A previous attempt to take Land Rover into the private sector was made in 1986 when General Motors of the US tried to buy it from BL (now Rover) along with Leyland Vehicles, but the bid came unstuck in the face of a parliamentary uproar about the potential loss of the company's British ownership.

Mr Graham Day, Rover's chairman, is now expected to outline options for the company's sale either to another more acceptable bidder or through a flotation on the stock market.

Either way, the prospects in terms of timing and valuation could be badly damaged by a prolonged strike.

However, there is little sign so far that either the unions or the workforce are about to capitulate.

The management has dug itself into a corner by loud and

frequent repetition of its stance that no more money will be put on the table. The workers appear to have been strengthened in their resolve by the management's perceived intransigence.

The workers have also been angered by the management's action in commissioning a Mori poll of employees' attitudes towards the dispute in the middle of the week. This poll found fewer in favour of strike action than the union's earlier ballot, but the management had to apologise to the unions for giving out members' ex-directory telephone numbers.

On the table is a two-year deal which the management says is worth 14 per cent over two years. It says the basic weekly pay of the average grade three worker would rise from £145.90 to £156 in the first year and £166 in the second while weekly attendance allowances would rise from £7 to £8.50 for the two years.

However, the unions say that part of the basic pay rise is

being funded by the consolidation of existing bonus payments and that the value of the deal in new money is worth only 8 per cent over two years.

For the workers coming out of the gates yesterday afternoon the amount of money on basic rates was the central point at issue. "We are not here for attendance supplements or bonuses: we are here for an hourly rate," said one. "Our bonuses are affected by shortages and we have no control over that."

Another worker said the management was adopting an "archaic attitude" towards negotiation and could have averted the strike with a further £1.50 on basic rates.

Most were anxious to stress that Land Rover was not a militant plant but said feelings there were running high. "I was here when we had strikes back in the 1960s and 1970s," said one. "To go the period we have without a strike seems a miracle. People feel it's time to show their strength."

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Saturday February 20 1988

A deceptive calm

Has the world economy entered the eye of the storm or is the storm itself abating? This is the question raised by the calm that has permeated most financial markets since the beginning of 1988.

The last few months of 1987 saw extraordinary upheavals. Between the beginning of October and early December US equities fell by more than 30 per cent, most of the fall occurring on and around Black Monday. By the end of the first week of 1988 the market had recovered by about 16 per cent; since then it has traded within a narrow range. In London, too, the All-Share index had fallen by some 35 per cent between the beginning of October and early December with a subsequent recovery of about 14 per cent by early January 1988; very little has happened since.

Slowdown

Enough has changed since early October to make that a reference, but far from safe position. The dollar has fallen, (though its recovery in 1988 is beginning to look worrying from the perspective of adjustment, with almost 40 per cent of the post-crash depreciation against the yen and half of that against the D-Mark now reversed). The significance of the equity market crash for consumer demand in the US is unclear and hotly debated, but recent statistics indicate some slowdown. Most important of all, perhaps, the last two US monthly trade deficits were below the consensus forecasts, with exports notably buoyant.

Strong rise

In Frankfurt the pattern was a little different, with declines continuing in December and January, and only a modest recovery in February. But the most individual experience of all was that of Tokyo, the low point having been reached at the end of December. Since then, the index has advanced to a rise, being now a mere 4 per cent below the level at the beginning of October.

There have been differences, therefore, but in all cases most of the decline occurred in October, with subsequent trading in a fairly narrow range.

Foreign exchange markets began their adjustment when that in equities (and bonds too) had already occurred. The D-Mark started its rise after October 22, 1987, from a little above 1.38 to the dollar. By the end of December the D-Mark had soared to just over 1.57, whereupon the dollar recovered sharply. Over the past month the D-Mark has become slowly weaker, moving from 1.66 to 1.71. Similarly, the yen was at 144 to the dollar on October 22, 1987. By the end of December it had appreciated to 121. Again, the recovery in early January was sharp; since then the dollar has been trading between 126 and 131.

While the timing of turning points has varied from market to market, equity and foreign exchange markets have both reversed in their earlier movement and in almost all cases have shown striking stability since early 1988. That stability reflects the absence of strong views, with trading at depressed lev-

Tim Dickson looks at the uncertainties that still hang over the defence of Belgium's most influential company

A band but no harmony

ALMOST five weeks after Mr Carlo De Benedetti, the ambitious Italian entrepreneur, first signalled his daring plan to launch a hostile takeover of Société Générale de Belgique, the future of Belgium's most powerful business institution is still uncertain.

Even at this late stage those most closely involved are unsure of the outcome. After a hectic first two weeks in which Mr De Benedetti, his French lieutenants and representatives of the embattled Belgian holding were seldom off continental television screens, the action has switched to the privacy of smoke-filled rooms.

Despite the uncertainty, the view is gaining ground in Brussels that Mr De Benedetti may have misjudged Belgian political and financial opinion. The prize may be slipping from his grasp. Along with unnamed "followers" Mr De Benedetti is thought to speak for 38 to 40 per cent of La Générale's shares (his camp now privately hints at up to 42 per cent). But the expectation is growing that an alliance of shareholders hostile to his desire for full management control is poised to announce that its members command more than 50 per cent.

Viscount Etienne Davignon, La Générale's most internationally respected director, split this out publicly for the first time in Brussels yesterday. In an interview, Viscount Davignon indicated that he thought the board would ultimately be able to count on the Paris-based Compagnie Financière de Suez, "which has 22 per cent and maybe more"; the Lazard Group, "which owns 4 per cent through one of its companies"; Compagnie Générale d'Electricité, "which has above 5 per cent"; Artois, the Belgian brewery group, (around 3 per cent); Gevaert, the holding company headed by Mr André Leysen (2 per cent); and "other friends who have shares who will declare themselves when they want to and who speak for another 20 per cent." Viscount Davignon confirmed that this last group includes AG, the leading Belgian insurance company, which has slightly less than 4 per cent.

The difficulty, as he now implicitly concedes, and as Mr Leysen discovered during his highly public and ill-fated attempt to co-ordinate the different interests earlier in the drama, is that little seems to unite the protagonists except their thinly concealed distrust of Mr De Benedetti. There is, for instance, bitter rivalry between Suez and Paribas, the French investment bank. Paribas exercises strong influence over its Belgian arm, Cobepe, over the other big insurance group, Royale Belge, until Thurs-



Viscount Etienne Davignon, a Belgian La Générale shareholder

day a 3.7 per cent shareholder in La Générale. The divisions between the Francophone and Flemish parts of the country, the uncertain loyalty of Mr Albert Frère, the head of GBL and Mr Pierre Scobier, chairman of Cobepe, are complicating elements which have sustained the suspense.

"There has been no announcement yet because this time everyone wants to be quite sure," Viscount Davignon says of the negotiations which have taken place over the last few days. "We don't want a balloon which has air coming out."

Viscount Davignon may not be a shareholder in La Générale, but he is intimately involved in the Franco-Belgian moves to head off De Benedetti's assault. If they are successful, he seems certain to play a key role in the future of the company, possibly as successor to the present Governor, Mr René Lamy.

He said yesterday: "I am not sure that what has happened in Belgium would have happened in many other countries. There has been no political involvement of any sort to protect Société Générale, no harassment, no fundamental questions, no reference to the law."

Referring to the way in which the Brussels Commercial Tribunal blocked a share issue by La Générale's board, designed to dilute Mr De Benedetti's stake, Viscount Davignon observed: "He has even applauded the Belgian courts for their independence. He has had an extraordinary success on Belgian radio and TV in a way that I think would have been impossible in France or West Germany."

Outlining his own vision of European industrial co-operation, Viscount Davignon added: "To say that you're a bad European because you want to see a company with European influence based in Brussels is not something else is absolute nonsense. You are not going to build Europe by the disappearance of existing entities. Europe is not

going to be created by centralised authority which makes states or regions disappear and, in the same way, a European company is not going to be built on the ruins of the rest."

He insists that La Générale is "completely capable" of becoming a "truly European company" and argues that this strategy was well under way before Mr De Benedetti arrived with his plans to take full control. Mr De Benedetti, he adds, would not necessarily be excluded from the company's own plans but he asks: "Is it reasonable for a minority to wish to have the whole responsibility for management? Looking round the big holding companies of France or Germany it is very rare to see any with just one shareholder. The fact that you have a number of them has never stopped them from running properly or run badly."

Viscount Davignon admits that it is easier for the De Benedetti camp to formulate a clear strategy than the disparate group of French and Belgian shareholders. But he dismisses the notion that the Italian has a coherent plan or that it is realistic to expect one from any party at this stage. "Whoever wins control of La Générale cannot do this until he has seen the management, seen the projects, and seen what we have. Everyone at this stage is expressing a number of general objectives."

Referring to the ideas put forward by Cerus, Mr De Benedetti's Paris-based holding company, in its bid prospectus published this week, Viscount Davignon says: "They are as vague as vague can be. It is so more than a few good points from a business school to show how it should be done. No one can be specific on the substance."

Viscount Davignon is specific, however, on what it means if the Franco-Belgian camp ends up with more than 50 per cent. "Under Belgian law 50 per cent is needed to appoint or dismiss the directors. The significance of a blocking minority of 20 per cent should not be over-emphasised and is of little importance at extraordinary general meetings. It doesn't give you so much power - only nuisance value."

Turn on, tune in, hold breath

Raymond Snoddy finds cable TV may have a future in the UK

THE CHAIRMAN designate of Anglia Television, Mr Peter Gibbins, has few doubts about the future of cable television in the UK. "It starts to look like a technology whose time has gone. It may have passed from sunrise to sunset with no intervening stages," he said in a speech on the future of the media given in the City of London on Thursday.

As chairman of a commercial television company which is also a founder shareholder in British Satellite Broadcasting, the UK's £625m direct broadcasting by satellite project, Mr Gibbins could hardly be expected to talk up the prospects for a competing technology.

Yet he neatly encapsulated what has become almost the conventional wisdom. Mr Kenneth Baker, when Trade and Industry Minister, oversold cable. The Government undermined its investment potential by phasing out tax allowances on capital projects. Even where cable actually got into the ground, operators were scarcely trampled under foot by would-be subscribers. However, for the first time in two years there are signs

that cable television might have a future. The main stimulus is coming from the US. There, cable is a mature industry with revenues of \$11.4bn last year, and with more than 50 per cent of the country's television homes connected. It is looking for potential overseas investments.

This month's developments include commitment to British cable by two big US financial institutions: Prudential-Bache said it would make up to \$100m available for the development of cable in central London in partnership with a British company, City Centre Cable, which was recently awarded the Kensington and Chelsea franchise.

PaineWebber, which claims to have been involved in raising \$4.4bn for 24 US communications companies over the last three years, said it was optimistic it could raise the finance to cable Birmingham. The Birmingham franchise, the largest planned in the UK at more than 400,000 homes - was advertised this week, and is likely to attract several competing consortia. It could cost £180m to cable

the city, although a high proportion of that would come from cash flow. At the same time, Videotron, the second largest cable operator in Canada, is discussing a possible \$100m investment in the UK industry in partnership with Mr Robert Maxwell's British Cable Services.

The overseas financial interest comes as the number of cable subscribers has passed 250,000 - although only about 40,000 of these are on the modern broadband multi-channel systems. The rest are old television relay systems which are now carrying new cable services. Audited research figures published this week show that, in cable homes, 28 per cent of viewing time is spent on cable channels, which is more than on either BBC 2 or Channel 4.

Despite the signs of life, cable's UK achievements have been modest so far. Two of the first 11 pilot franchises awarded in November 1983 - Merseyside and Ulster - have still to get going and a third, Guildford, now controlled by Mr Maxwell, only started working last summer.

In West Germany, in contrast to the UK, there has been a big investment of public funds in building cable networks through the Bundespost, the national post and telecommunications administration. Consequently, West German cable is becoming a serious business.

According to Dr Burkhard Nowotny, managing director of the West German cable and satellite association, cable is now available to 8.8m homes, 34 per cent of the total. Nearly 3m homes are subscribing to satellite television channels through cable networks.

Throughout the hard times Mr Jon Davey, the former Home Office civil servant who is director-general of the Cable Authority, the UK regulatory body, has never lost his smile. He has also held on to his belief that cable offers many advantages - the ability to offer many channels of entertainment and create a modern telecommunications network with telephone and two-way communications - will ultimately be decisive. Cable in Britain, he said this week, was alive and well and moving out of the doldrums.

"I venture to predict that the watershed may not be very far off. We may find that the rush starts," he said. Although £200m has already been invested and 16 franchises are in service, the most immediate need is probably for more money to increase the speed with which cable networks are built.

This is where American money comes in, although under present legislation non-EC citizens may not control cable franchises. (Mr Davey is trying to persuade the Home Office to relax this regulation.)

In the US, networks are now changing hands at more than \$2,000 a subscriber and being bought and sold in billion dollar deals. It all seems a long way from cable fran-

AS THE British government's pro-consul in the Six Counties, Tom King appears either politically cowed by the complexity and passions of Northern Irish politics or intimidated by the ever-present threat to his personal safety.

The Secretary of State for Northern Ireland, variously punched in the chest, pelted with eggs and sprayed with sectarian venom is, above all else, an optimist. He received death threats, for goodness sake, when he was Employment Secretary, so he is not unduly worried about the hate mail showered at Stormont Castle or the discovery of an assassination attempt on his Wiltshire farm.

King, seen in Westminster as Mrs Thatcher's uninspiring yet formidably competent "wealth man" but revered by Unionists like Dr Ian Paisley as "a white-livered cur", acknowledges that there are some very nasty people in Northern Ireland, not all of them members of the provisional IRA.

He claims the real tragedy of the province, for which he has a genuine affection, is that the majority of its population are warm, hospitable people who are more anxious than ever to see real political progress on the road to peace.

King, who says Ulstermen can be very good at accentuating their divisions, does not believe the latest impasse between London and Dublin on issues such as the RUC and extradition has inflicted serious damage on Anglo-Irish relations. He regards the continuing reverberations from the 1982 Stalker affair - together with the outcry over the appeal into the Birmingham pub bombings of 1974 - as rattling skeletons which must not obstruct the current momentum of events.

The Secretary of State is too experienced to make predictions about these events. None the less, he believes that, after a couple of negative years following the

Man in the News



Tom King

Optimist who fights tragedy with persistence

By Michael Cassell

Anglo-Irish agreement, there is now a greater willingness within Northern Ireland to recognise the other point of view, which is being accompanied by some fundamental rethinking in Dublin. In the south, he adds, there are now more pressing political priorities than unification to be dealt with.

He acknowledges that his Commons statement on Wednesday, outlining operational changes within the RUC and opening up the possibility of disciplinary charges against some officers, met with inevitable criticism in Dublin, but he was heartened by what Whitehall considers to be the measured response of Charles Haughey, the Irish Prime Minister. King makes no apologies for

ure in a political career which has not yet brought any of the glittering prizes.

Born into a prosperous West Country family, educated at Rugby and Cambridge, King won his present Bridgewater seat in 1970 and held several front-bench jobs before Mrs Thatcher came to power. Appointed Minister for Local Government in 1979, his grasp of the arcane world of local authority finance at once impressed his civil servants, as well as Mrs Thatcher, and by January 1983 he was Environment Secretary.

The job lasted only until after the June general election, when he was moved to Transport. By October he was switched to Employment to replace Norman Tebbit, who had become Party Chairman, a job for which King himself had previously been tipped. He was moved on to Ulster to make way for Lord Young at the Department of Employment.

His regular "bouncing" between departments has not given him any real opportunity to shine among the Conservative Party's political heavyweights. He is, in any case, seen as a rather detached figure who prefers Wiltshire to Westminster. But there is no doubting his popularity among Commons colleagues. He is something of a hit in the smoking room, where his responsibilities do not have appeared to have stifled his relaxed wit.

His political future is perhaps less predictable than that of many. A group of junior ministers, in the cosy afterglow of a good dinner, nominated their long-term favourites for Prime Minister. The surprising winners were King and Kenneth Clarke, now Minister for Trade and Industry.

Another former colleague believes, however, that his eventual return from Belfast could just as easily see him lost in the corridors of the Ministry of Agriculture.


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UK COMPANY NEWS

Newman sweetens up its bid terms for Henderson

By Nikki Tait

Newman Tonks, Midlands-based door controls and building supplies group, yesterday made a small increase in its bid terms for Henderson Group...

The new Newman terms - like the initial offer - have the backing of the Henderson board. Both companies said yesterday that they wanted to bring the period of uncertainty regarding Henderson's future to an end...

perhaps 3 per cent - for Newman in 1987-8, he claimed. "It's a full and fair price," Mr Rogers said. Shareholders speaking for 18.2 per cent of Henderson shares have again indicated their intention to accept the new terms...

New twist in battle for future of Drayton

By Nikki Tait

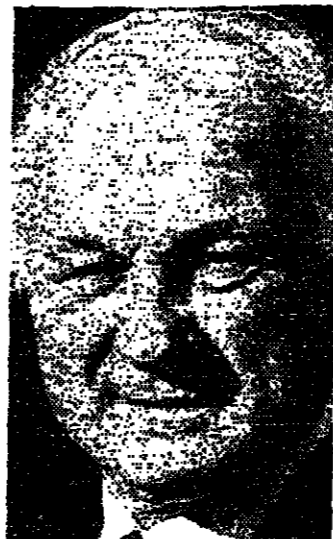
THE BATTLE over the future of Drayton Japan, the £250m MIM-managed investment trust, took a new twist yesterday as New Jersey-based AJS Partners announced that it would be amending the special resolution...

The resolution will state that Drayton Japan directors "are requested and instructed to produce a reorganisation scheme which will substantially reduce the difference between the trust's assets and the price at which its shares trade."

The current scheme proposed by the Drayton management involves turning the existing trust into a split level investment trust, with three new classes of share. The exit route on such a scheme would involve selling in the market...

Michael Smith examines the final stages of Blue Circle's failed bid Birmid lives to fight another day

"Finely fuddled... finally executed" was one City way a verdict yesterday on Blue Circle's failed £275m bid for Birmid Qualcas.



Peter Prateley, Birmid's chief executive

Apt, perhaps, but cruel. Last Monday Barings, advisor to Blue Circle, had followed up the cement company's claim of victory by placing a quarter column advertisement in the Financial Times describing the bank's handling of the bid as "finely fuddled... finally executed."

But if the events of the last week have done little to enhance the reputation of Blue Circle and its advisors - in particular Barings, broker Hoare Govett and National Westminster, the accepting bank - neither have they done anything for the reputation of the City.

The Takeover Panel was yesterday stressing its belief that the mistakes were innocent. It said the City could do without controversy over voting in takeovers following the furore caused by the Guinness affair and recent rumblings over the Burton takeover of Debenhams.

Nothing wrong with that. The problem was that National Westminster Bank did not know help of Cazenove, Birmid's broker, it had done its arithmetic and could not understand how Blue Circle could claim a 50.01 per cent.

about it. So when Royal London accepted Blue Circle's offer for the second block of shares, the bank checked the share register and found the name corresponding with the number of shares listed in Royal's name. It assumed these were the Royal's original block of shares and that the Royal possessed the share certificates. However the Royal had not yet received them and the bid came unstuck. Mr Mike Yardley, the Royal's investment manager, said yesterday that his funds often did similar deals in critical stages of takeovers. "At the time it did not strike us as anything unusual."

For Mr Antony of the Panel for director-general of the Panel for just six weeks, Blue Circle/Birmid provides an early test. He said yesterday he did not want to pre-judge the inquiry. Independent observers pointed out, however, that the review is unlikely to lead to fundamental changes in the takeover code. "It is looking at technicalities of the code rather than its substance," said one.

At Birmid Qualcas senior managers said yesterday they could concentrate their attention more on running the business than they had been able to do while the bid was in progress.

Birmid's ability to escape what many analysts thought to be a reasonably full cash offer may also act as a deterrent to hostile takeover activity. But with Blue Circle still owning about 44 per cent of its shares, Birmid cannot relax its guard.

Blue Circle is unlikely to give up Birmid easily, having made so much of the strategic importance of building up its home products division. If it does still want Birmid it has two choices. Either it can wait a year and launch another bid or it can offer a higher price with the hope of getting it agreed.

Birmid, however, values its independence. It would clearly be delighted if the unknown predator which lachuned an unsuccessful dawn raid on Blue Circle's shares just before Christmas was to return to the fray. Yesterday there were market rumours of stake building in both Blue Circle and Birmid. This is a story which will run.

Dominion expands in financial services with 24% of FFL

By Andrew Hill

Dominion International Group is extending its financial services interests with the £4.7m purchase of 24 per cent of FFL Holdings, which provides completion guarantees for the film and television industries.

and gas subsidiary. Dominion is buying 72,395 ordinary shares in FFL and £3.97m of 10 per cent unsecured loan stock. The initial price will be partly funded by a vendor placing of 1.5m ordinary shares, raising £1.4m, and the balance will be raised from Dominion's own resources.

had net cash in the bank and short-term deposits of £12.5m. Meanwhile, a meeting was held yesterday between Mr Lewinsohn, Lord Barnett - Dominion's new deputy chairman - and the Richardson brothers, West Midlands property developers who hold 6.08 per cent of the group through their private company, Dudley.

Anglo-Nordic share trading suspended

By Dominique Jackson

Trade in the shares of Anglo-Nordic Holdings, the diesel generator manufacturer, was suspended at 13p yesterday pending an announcement by the company. Hill Samuel, Anglo-Nordic's financial advisers, said the announcement could be expected at any time during the next week.

J Bibby US packaging disposal faces delay

By Dominique Jackson

J Bibby & Sons, the agricultural and industrial conglomerate, said its proposed sale of a division of its US subsidiary Princeton Packaging had been held up by the US Federal Trade Commission. Bibby, an arm of South African conglomerate Barlow Rand, said in October 1987 it intended to sell the flexible packaging division of Princeton to James River Corp for \$130m.

It feared the deal could seriously reduce competition in manufacture and sale of frozen food film and bakery bags. Mr Richard Mansell-Jones, chairman of Bibby, said the company was re-assessing its position with regard to the flexible packaging division which is currently trading profitably. If the injunction is granted, the disposal of the division would be delayed pending the outcome of the commission's proceedings to determine whether the sale would contravene US competition laws.

Tribble profits warning

By Dominique Jackson

Tribble Harris Li, the US architectural and design company, issued a profit warning yesterday for the year to end November 1987, due out next month, would not reach the pre-tax profit level of about \$2.5m forecast by many analysts.

KIO buys more BP

By Dominique Jackson

The Kuwait Investment Office has lifted its stake in British Petroleum to 19.53 per cent, compared to its last reported holding of 19.37 per cent. The KIO said yesterday that it had bought a further 8.5m partly-paid BP shares at 76p, to raise its total shareholding to 1.16bn.

Mr Mansell-Jones said, "In the light of the anticipated delay, the company would shortly decide whether to retain the business, to sell it to another party or to challenge the injunction. Mr Mansell-Jones said.

Table with 5 columns: Company Name, Current Payment, Date of Payment, Current Payout, Total Last Year. Includes Alumas, Courmayeur, F&C Enterprises, Highland Elec, Stainless Metals, Yeoman Inv.

Dividends shown per share net of tax where otherwise stated. *Equivalent after allowing for s.e.p. issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. Unquoted stock. Third market.

Alumas shares slide after 21% profits downturn

By Richard Tomkins, Midlands Correspondent

SHARES in Alumas, the Northants-based group serving the brewing, building and security industries, and floated on the stock market in May 1986, slumped by 65p to 280p yesterday after it surprised the City with a 21 per cent downturn in interim profits.

orders on the beer barrel side of the business, which in the last full year accounted for 40 per cent of profits. He said the comparable period had been exceptionally strong for the kegs division but in the latest half-year none of the company's four major brewery customers had placed any significant orders.

Mr McCall said his underlying confidence in the company's future remained strong. For all that Alumas would like to be known for its activities in the growth areas of building products and precision components, these figures illustrate its continuing vulnerability to UK demand for beer barrels. Action is being taken on two fronts to alleviate this. First, although the opening of a stainless steel keg plant might be interpreted as exacerbating the situation, it expands the keg customer base to six play-

Bond stake in M&G at 8.32%

By Lisa Wood

Bond Corporation, the Australian company headed by Mr Alan Bond, yesterday announced that it had raised its stake in M&G Group, Britain's largest print group, to 8.32 per cent, writes Nikki Tait. The latest notified holding stood at 6.82 per cent - a stake which was declared in late December. M&G shares rose 5p to 304p on the news.

B&C considers Bricom buyout proposals

By David Waller

British & Commonwealth Holdings confirmed yesterday that it was contemplating buyout proposals from management at Bricom, a subsidiary holding company in which all B&C's non-financial activities are grouped. Bricom, formed last March after the appointment of Mr John Gunn as B&C chairman, includes Bristow Helicopters and other transport and aviation service companies, as well as B&C's hotel and leisure interests.

Guinness heads back to Dublin Stock Exchange

By Lisa Wood

Guinness, the international drinks group which has its roots in Ireland, will announce on Monday that it has re-listed its shares on the Dublin Stock Exchange. The group, which was floated as a public company in London in 1984, had a listing in Dublin until 1973. The Dublin Exchange became part of the integrated exchange of Great Britain and Ireland. It was then possible for Irish residents to buy and sell through London. However, since 1978 Guinness shares have not been available to Irish residents because of exchange controls by the Central Bank of Ireland which forbade investment in overseas companies.

Suter has 23% Amari interest

By Lisa Wood

Suter, the industrial conglomerate, has increased its stake in Amari, the metals and plastics group, to 23.03 per cent. Mr Tony Paton Walsh, company secretary, said Suter had acquired a further 7.3m shares over the last few weeks at market prices. Suter had been building its stake in Amari for some time, he said, but was not able to disclose whether there would be takeover discussions. Amari's share price has been buoyed by bid speculation over the last few months and the shares rose 7.5p to close at 161p.

Highland Electronics

By Lisa Wood

Highland Electronics Group reported reduced pre-tax profits of £392,175 for the half year to October 31 1987 compared with £371,109 before. Mr M. Cohen, the chairman, said the manufacturing division was still attempting to find work to compensate for the loss of the IBM sub-contract work in the latter part of 1986-87, and it was hoped a successful conclusion would improve profits in the future. Group turnover for the half year fell from £7.05m to £6.79m. Stated earnings per 20p share were lower at 3.85p compared with 4.05p. The interim dividend is again 1p.

TV-am backs Bond Media

By Lisa Wood

TV-am, the breakfast television company quoted on the United Securities Market, is backing Mr Alan Bond's latest minute request to the Independent Broadcasting Authority (IBA) to delay the reduction of Bond Media UK's 24.9 per cent stake in the company. The Dublin Exchange became part of the integrated exchange of Great Britain and Ireland. It was then possible for Irish residents to buy and sell through London. However, since 1978 Guinness shares have not been available to Irish residents because of exchange controls by the Central Bank of Ireland which forbade investment in overseas companies.

Gulliver buys further 14% of Jacksons

By Andrew Hill

Select Country Hotels, a private company headed by Mr James Gulliver, has acquired 14.10 per cent of the share capital of Jacksons Bourne End, the shoe manufacturing and property group, on top of the controlling 60 per cent stake bought last month. The additional 301,555 shares acquired by Select during the formal offer at 445p per share have been placed with institutions by Barclays de Zoete Wedd. Mr Gulliver is to become non-executive chairman of Jacksons and will hold 10 per cent of the shares. Mr David Newling Ward will be deputy chairman, and Mr Robin Howard managing director. Mr Richard Penrill and Mr David Martin-Jenkins will also join the board as executive and non-executive directors respectively. Select intends to maintain Jacksons' Stock Exchange listing.

Low & Bonar

By Andrew Hill

Trade on the Toronto stock exchange in the shares of Bonar, Canadian subsidiary of Low & Bonar, the packaging, plastics, textiles and electronics group, has been suspended pending a company announcement. Dundee-based Low & Bonar said an announcement regarding the future of the Canadian company would be made in the near future.

LONDON RECENT ISSUES

Table with columns: Issue No, Date, Price, Change, etc. Lists various equity issues.

FIXED INTEREST STOCKS

Table with columns: Issue No, Date, Price, Change, etc. Lists fixed interest stock issues.

RIGHTS OFFERS

Table with columns: Issue No, Date, Price, Change, etc. Lists rights offers.

Handwritten notes and signatures at the bottom of the page.

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns for Regional and National Markets, Thursday February 18 1988, Wednesday February 17 1988, and Dollar Index. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Korea, Malaysia, Mexico, New Zealand, Norway, Sweden, Switzerland, Taiwan, Thailand, UK, USA, and The World Index.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Table showing trading volume for various stocks including ASDA-MFI, Allied-Lyons, Amrad, Anglo Group, Asac, Biff Foods, BSA, BSE, BT, British Airways, British Telecom, British Petroleum, British Gas, British Airways, British Telecom, British Petroleum, British Gas, British Airways, British Telecom, British Petroleum, British Gas.

ECONOMIC DIARY

TOMORROW: Mr George Shultz, US Secretary for State, meets Mr Edward Shevardnadze, Soviet Foreign Minister, in Moscow to prepare for fourth Reagan-Gorbachev summit (until February 23). Second round of Cyprus presidential elections. MONDAY: Confederation of British Industry publishes monthly trends enquiry (February). EUROPEAN COMMUNITY: general affairs council meets in Brussels (until February 25). TUESDAY: Gross domestic product (output-based) (fourth quarter - preliminary). EUROPEAN COMMUNITY budget council meets in Brussels (until February 24). The Institute of Directors annual convention at the Royal Albert Hall, National Westminster Bank preliminary figures. Mr George Shultz visits Geneva to brief Nato allies. Gatt working party meets in Geneva to discuss readmission of China to the group. US Democratic and Republican caucuses. US durable orders (January).

WEDNESDAY: New construction orders (December). Cyclical indicators for the UK economy (January). Start of two-day plenary session in Brussels of European Community economic and social committee. The Economist holds conference on "Marketing financial services" at Marriott Hotel, London. THURSDAY: New vehicle registrations (January). Energy trends (December). Start of two-day meeting in Munster of European Community education ministers. London Tourist Board reception at New Zealand House, London. Confederation of British Industry holds conference "The defence markets you are missing" at Centre Point, London. FRIDAY: Finished steel consumption and stock changes (fourth quarter provisional). Company liquidity survey (fourth quarter). European Community environment ministers hold informal meeting in Wildbad-Kreuth. National Union of Teachers rally against Education Reform Bill at Royal Albert Hall. US consumer price index.

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns for Equity Groups & Sub-sections, Friday February 19 1988, and Highs and Lows Index. Rows include Capital Goods, Building Materials, Contracting, Electronics, Mechanical Engineering, Metals and Metalworking, Motors, Other Industrial Materials, Consumer Goods, Food, Food Retailing, Health and Household Products, Leisure, Packaging and Paper, Publishing and Printing, Stores, Textiles, Other, Chemicals, Conglomerates, Shipping and Transport, Telephone Networks, Miscellaneous, Industrial Group, Oil & Gas, Financial Group, Insurance, Insurance (Composite), Insurance (Brokers), Merchant Banks, Property, Other, Investment Trusts, Mining Finance, Overseas Traders, and All-Share Index.

Table with columns for Fixed Interest, Average Gross Redemption Yields, and Price Indices. Rows include British Government, 1-5 years, 5-15 years, Over 15 years, Irredeemables, All stocks, Index-Linked, 5 years, 7 years, 10 years, 15 years, 20 years, 25 years, Preference, and FT-SE 100 Share Index.

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Table with columns for Constituents Changes, Equity section or group, Base date, Base value, and Equity section or group, Base date, Base value. Rows include Agencys, Complements, Telephone Networks, Electronics, Other Industrial Materials, Health/Household Products, and Other Groups.

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INTERNATIONAL COMPANIES AND FINANCE

Eulabank holders put up \$250m loan loss cover

BY DAVID LASCELLES, BANKING EDITOR

THE 22 European and Latin American shareholders of Eulabank, the London-based consortium bank which specialises in Latin American lending, have placed a special deposit of \$250m with a view to protecting it from loan losses.

The arrangement, which has been agreed with the Bank of England, is an alternative to provisions and was designed to meet the bank's unusual circumstances. It is understood that other specialist consortium banks in London are also considering similar schemes, which are viewed by the Bank of England as temporary expedients until they can make more permanent arrangements.

Mr George Gunson, the chief executive of Eulabank, said the more conventional methods of meeting the problem of provisions such as a subscription of new capital would not have been appropriate and would have created unusable tax losses.

Under the scheme, Eulabank will apply the deposit specifically to cover losses on its \$500m loan portfolio. The deposit may not be withdrawn without the permission of both the bank's auditors and the Bank of England.

The figure of \$250m was agreed because it represents about 29 per cent of Eulabank's assets, which are exposed to the level of provisions required under the Bank of England matrix introduced last year. Although Eulabank's accounts will show its loans written down by the amount equivalent of \$250m, it points

out it has still not suffered loss on its loans and is hoping to make full recovery. Over 90 per cent of its loans are to the state sector.

Eulabank's UK shareholder is Barclays, whose share of the \$250m deposit is £2m. Last year, Eulabank made an operating profit of \$5.9m, down from \$8.1m in 1986. Profit attributable to shareholders was \$0.2m, down from \$5m.

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The pre-tax loss was NZ\$20.1m against earnings of NZ\$49.4m.

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Fifth year of falling profits for Komatsu

By Ian Rodger in Tokyo

KOMATSU, the world's largest construction equipment maker after Caterpillar, Tractor of the US, has suffered its fifth consecutive year of profit decline.

Unconsolidated pre-tax profits fell 36.5 per cent to ¥18,056m (\$136.6m) last year, where they were only a quarter of the level achieved six years ago.

Komatsu said its latest reverses were caused by the rise of the yen. Increased production in the US and the UK, made necessary by the rise in the yen and trade friction, also contributed to the fall in exports. The company's exports, as a portion of total sales, fell from 53.1 per cent in 1986 to 44.4 per cent.

Sales in the home market, where the Government is using public works spending to stimulate the economy, were up 5.6 per cent to ¥299.9bn but overseas sales tumbled 25.5 per cent to ¥239.1bn.

Overall construction equipment sales, which account for 79 per cent of total sales, were down 10.3 per cent. Brick growth of sales of small presses to the road and Asian market was not enough to offset a decline in sales of large scale presses to the motor industry where investment peaked. Machine tool and industrial robot sales also declined.

Net income tumbled 32.3 per cent to ¥9bn but the company said the dividend would be maintained at ¥8 per share.

The directors said they expected the Japanese market to enjoy steady gains in the coming year, but export markets were likely to experience "increasing difficulties caused by the continuation of the stronger yen, trade conflict and increased offshore manufacturing."

The results were the first full-year figures to appear since the company sacked Mr Shoji Nogawa as president last June.

Ford of Europe advances by 93%

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

FORD OF EUROPE increased its profits by 93 per cent last year, helped by record industry volumes, higher market shares and improved operating efficiency.

Net income jumped to \$1.07bn, the second highest profit ever achieved by Ford's European operations, compared with \$559m in 1986 and \$336m in 1985.

It was still outpaced by General Motors in Europe, however, which last week announced net profits for its European operations of \$1.25bn, following seven years in which it ran up net losses of \$2.2bn.

Ford of Europe achieved its highest profit in 1979 at \$1.21bn. Within several of its main competitors plunged into

loss in the mid-1980s, Ford has remained in the black, although net profits did fall to a low of only \$147m in 1984.

In the last four years, however, its profits have recovered rapidly, helping to trigger recent weeks the first serious bout of industrial conflict in its UK operations since 1978.

Ford's UK plants are due to resume work on Monday following a two-week strike, which also closed Ford's European assembly plant in Belgium. The company has lost production worth about \$800m (at showroom prices) through the strike and unofficial industrial action since pay negotiations began in the UK in October.

Ford said yesterday that its market share in Europe climbed to 12.1 per cent in 1987 from 11.8 per cent a year earlier.

Helped by a booming European market in which new car registrations exceeded 12m for the first time, Ford of Europe increased its sales volume by 8.9 per cent, with car sales of 1.478m compared with 1.352m in 1986.

Its higher market share reflected in part the introduction at the beginning of 1987 of a saloon version of the mid-range Sierra, the Ford Sapphire, while in the UK the Ford Escort, Fiesta and Sierra were the three best-selling models for the second year running.

Ford's share of the UK market increased to 28.8 per cent from 27.4 per cent in 1986.

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Alex Trotman takes over as Ford Europe chairman and chief executive on March 1

Curbs on sogo banks likely to be eased

BY STEFAN WAGSTYL IN TOKYO

RESTRICTIONS on some of Japan's 68 sogo banks - commercial banks specialising in loans to private individuals and small businesses - are likely to be lifted later this year in a move which is expected to promote competition in Japanese banking.

Sogo banks, which have combined deposits of more than ¥40,000bn (\$307.1bn), have since the Second World War been prevented from lending more than 20 per cent of their total loans to large companies. The limits imposed by the Ministry of Finance in order to channel funds to small and medium-sized companies.

The National Association of Sogo Banks has for the past

four years been campaigning for an end to this restriction. But its policy was criticised by some sogo banks which did not want the rules changed for fear that it would encourage larger banks to counter-attack in the sogo banks' own market.

As a result the ministry let it be known that it would consider applications from individual sogo banks for conversion into ordinary banks, while allowing other sogo banks to keep their special status.

The sogo bank association this week removed an obstacle to the ministry's proposal by voting to allow its members to go their own ways.

Only few conversions are expected later this year, even

though some sogo banks fear that if they are slow in coming forward they will be branded as uncompetitive by the others.

The pressure on the mutually owned sogo banks, which compete with Japan's 64 regional banks as well as the "city" (commercial) banks, has been highlighted by the financial difficulties of several sogo banks in the past two years - notably Heiwa Sogo which was rescued by Sumitomo Bank in 1986.

Competition is particularly severe in Tokyo where the city banks are strongest. Officials at Tokyo Sogo Bank said their bank recently abandoned a policy of trying to expand loans to large companies because the

city banks' competition was too strong. Instead the bank is emphasising its contacts with its traditional customers - including shopkeepers, wholesalers and small manufacturers, as well as individuals wanting consumer loans.

Tokyo Sogo has 700 salesmen who do not stay in branch offices but spend their day knocking on doors visiting customers. Mr Kazuo Koyasu, senior managing director of the bank's international division, said this was the best way to keep ahead of the large banks.

"The city banks employ people with first-class degrees from first-class universities. They don't want to go knocking on doors."

Two Australian bids succeed

BY BRUCE JACQUES IN SYDNEY

TWO OF Australia's biggest takeover bids, with a combined value of more than \$2.6bn (US\$1.9bn), were resolved yesterday.

A Melbourne-based consortium bidding for ACI International, a glass and industrial group, won acceptance from leading shareholders by raising its bid from \$4.4 to \$4.10, share while North Broken Hill Holdings has succeeded in its \$1.1bn merger with Peko-Walsend.

But the North-Peko merger - the biggest mining takeover in Australia's history - has left the enlarged group's flank exposed to a future bid. Following a flood of acceptances, North emerged with about 30 per cent control of Peko, but a key stake in the new company will be held by Mr John Elliott's Elders Resources.

Elders has secured its position by buying shares in 15 per cent shareholding, this is sufficient to give them effective control of ACI. ACI shares fell 5 cents to

AS\$3.95 in Sydney yesterday, further ensuring that other shareholders will probably now accept the bid.

Bond Corporation Holdings, Mr Alan Bond's Perth master company, is to consolidate its half-owned Bond Media offshoot by increasing its stake to 53 per cent and will bid for Endeavour Resources and Petro Energy, two small resources companies where it has 38 per cent holdings, in moves which will together cost some \$856.3m.

It also announced that the market value of its quoted investments, excluding subsidiary, stood at \$801.8m by the end of last year, or \$838.8m short of their valuation in Bond's books.

The group said its holdings were largely in close associates and that "no component of the variance between cost and market value has been realised or is anticipated to be realised."

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Owens wins ruling on Brockway bid

BY RODERICK ORAM IN NEW YORK

SHARES OF Brockway, a leading US glass container maker, soared \$11.4 to \$57.4 yesterday morning after a court ruling brought closer the prospects of a \$60 takeover by Owens-Illinois.

The Federal Trade Commission, the US anti-trust watchdog, had sought to block the takeover, arguing that the combined company's 40 per cent share of the market would substantially reduce competition.

However, the Washington District Court declined late on Thursday to grant a temporary injunction against the deal. The

injunction would have given the FTC a chance to argue its case. In December, talks between the FTC and the companies broke down on the issue of which Brockway Owens-Illinois would have to divest to win anti-trust approval.

Owens-Illinois argued that the merger would improve competition in the container industry by strengthening the glass sector's stand against other forms of containers.

Brockway is the third largest US manufacturer with 16 per cent of the market. Anchor Glass Container and Owens-Illi-

nois jockey for the top slot with about 24 per cent each, analysts estimate.

The industry has consolidated considerably in the past 10 years, reflecting in part competition from other materials. The top five makers have 75 per cent of the market now against 54 per cent in 1979.

Owens-Illinois, taken private in 1983, leveraged buyout last year, launched its offer last September and stuck by its original offer for Brockway of \$60 a share even after the

Ciba dividend held at Sfr38

By Our Financial Staff

CIBA-GEIGY, the Swiss chemicals group, reports modestly lower profits for 1987 and says it plans to pay an unchanged Sfr38 a share dividend.

On sales 1 per cent lower at Sfr15.76bn (\$11.23bn), net profits have eased to Sfr1.1bn from Sfr1.15bn in 1986. Earlier this year the company forecast lower earnings.

Adjusting for exchange rates, group turnover rose 9 per cent, made up from a volume gain of 7 per cent and price increases of 2 per cent.

WORLD COMMODITIES PRICES

Week in the Markets

BY RICHARD MOONEY

ALUMINIUM AND nickel continued to occupy centre stage on the London Metal Exchange this week, with the former taking the lion's share of the limelight.

Other metals suffered setbacks following the recent sharp gains but emerged with their bull trends seemingly intact.

Concern over the tightness of aluminium supplies and the possibility of a price rise when it was announced that high grade stocks (of 99.7 per cent purity) in LME registered warehouses tumbled last

week by 15,750 tonnes to 23,875 tonnes. As one analyst put it, this had a "very positive psychological impact."

But the supply shortage was very real, he added, and with major smelters closed in Spain and Canada it was unlikely to ease significantly in the near term.

Initial gains in aluminium prices were trimmed back on Tuesday and Wednesday but the market quickly got back onto its upward course and yesterday the metal traded at the highest level since its introduction onto the LME eight years ago. The high grade cash price closed at \$2,270 a tonne, up \$25 on the day and

\$140 on the week. Supply worries continued to be reflected in the cash premium over three months metal, which ended the week at \$180 a tonne. But that was actually \$10 less than at the end of last week.

The nickel market again outpaced aluminium in absolute terms, but the percentage gain was slightly smaller. Its sustained rise was interrupted only by a very modest fall on Thursday and by last night's close it had scored an impressive \$355 gain on the week to follow up last week's \$470 advance.

At \$8,830 a tonne the cash position ended with a \$513.50 premium over the

three months quotation, \$370 wider than a week earlier. This emphasised the fact that here too supply tightness was the dominant factor.

Demand from the stainless steel industry continues strong and there seems little immediate prospect of a significant increase in availability. Mr Angus McMillan, an analyst at Shearson Lehman Brothers, doubted that current levels were sustainable in the long term but thought they should hold for the first half of the year.

Other base metals took relatively minor roles. Copper's long bull run peaked on Tuesday, when the cash position closed

at \$1,441.50 a tonne, and by last night's close it was showing a net fall on the week of \$20, at \$1,312.50 a tonne. Mr McMillan suggested that the market had become overbought, although stocks remained "fundamentally tight" in both London and New York.

Lead managed an \$11 rise on the week to \$269.50 a tonne, but Mr McMillan said he was looking for a gradual fall in the price, reflecting overall stagnation in the world motor industry (and therefore in demand for factory-fitted batteries). At the same time he noted the generally mild winter had done no favours for the prospects for sales of replacement batteries.

PRECIOUS METALS rallied in thin conditions, partly in response to a weaker US dollar. Local selling of trade buying emerged before profit-taking on the close pared gains, reports Drexel Burnham Lambert. Copper continued under pressure as general liquidation touched off commission house stops.

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SPOT MARKETS

Crude oil (per barrel FOB) + or -

Table with 2 columns: Commodity, Price. Includes Dural, Brent Blend, W.T.I. (1st est), Oil products (NWE prompt delivery per tonne CIF).

Other

Table with 2 columns: Commodity, Price. Includes Premium Gasoline, Gas Oil (Soviet), Heavy Fuel Oil, Petroleum Argus Estimates.

Aluminium

Table with 2 columns: Commodity, Price. Includes Gold (per troy oz), Silver (per troy oz), Platinum (per troy oz), Palladium (per troy oz).

Aluminium (per tonne)

Table with 2 columns: Commodity, Price. Includes Aluminium (99.7% purity), Copper, Standard (A & B per tonne).

Cash

Table with 2 columns: Commodity, Price. Includes Cash 1299-91, 1249-51, 1242, 1241 1/2-2 1/4.

Lead

Table with 2 columns: Commodity, Price. Includes Lead (per tonne), Ring turnover 11,800 tonnes.

Nickel

Table with 2 columns: Commodity, Price. Includes Nickel (per tonne), Ring turnover 1,608 tonnes.

Copper

Table with 2 columns: Commodity, Price. Includes Copper (per tonne), Ring turnover 3,400 tonnes.

Grains

Table with 2 columns: Commodity, Price. Includes Wheat, Soyabean Meal, Maize.

COFFEE

Table with 2 columns: Commodity, Price. Includes Mar, May, Sep, Dec, Feb.

Freight

Table with 2 columns: Commodity, Price. Includes Apr, Jun, Aug, Oct, Dec, Feb.

LONDON METAL EXCHANGE

(Prices supplied by Amalgamated Metal Trading)

Table with 2 columns: Commodity, Price. Includes Aluminium, 99.7% purity (5 per tonne), Cash, 3 months.

Aluminium, 99.7% purity (5 per tonne)

Table with 2 columns: Commodity, Price. Includes Cash, 3 months, Ring turnover 30,050 tonnes.

Copper, Grade A (5 per tonne)

Table with 2 columns: Commodity, Price. Includes Cash, 3 months, Ring turnover 60,200 tonnes.

Copper, Standard (A & B per tonne)

Table with 2 columns: Commodity, Price. Includes Cash, 3 months, Ring turnover 6,000 tonnes.

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LONDON BULLION MARKET

(Gold fine and 1/2 price)

Table with 2 columns: Commodity, Price. Includes Gold, Silver, Platinum.

Other

Table with 2 columns: Commodity, Price. Includes US Dollar, British Pound, Japanese Yen.

Indices

Table with 2 columns: Commodity, Price. Includes Reuters, Dow Jones.

LONDON METAL EXCHANGE TRADED OPTIONS

Table with 2 columns: Commodity, Price. Includes Aluminium, Silver, Copper.

COFFEE

Table with 2 columns: Commodity, Price. Includes Mar, May, Sep, Dec, Feb.

Freight

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NEW YORK

GOLD 100 troy oz. \$/troy oz.

Table with 2 columns: Commodity, Price. Includes Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COFFEE

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Freight

Table with 2 columns: Commodity, Price. Includes Apr, Jun, Aug, Oct, Dec, Feb.

COFFEE

NEW YORK (3 pm)

Table of stock prices for New York market, including various sectors like Technology, Energy, and Financials.

February 19

Table of stock prices for February 19, 1988, covering various international markets.

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Wall Street Dow marks time in wary trade

Stocks marked time as many investors pulled out of the market before the weekend. They were also wary about possible arbitrage selling late in the session.

Tokyo Bullish sentiment led to the market's seventh straight gain as share prices rose in late trade after a mainly mixed day.

The Nikkei index climbed 98.05 points to close at 2,773.41, after gaining 245.41 on Thursday.

Amsterdam Lack of market direction kept professional players and investors on the sidelines as Dutch share prices closed lower in thin, lacklustre trading.

The CBS all-share index closed at 75.1 compared with 78.5 the previous day.

Brussels As demand for Societe Generale's Reserve shares waned, Belgian stocks ended a quiet session mostly easier.

Reserve closed BFr20 lower at BFr4,900 as just 127,000 ordinary and special shares changed hands.

Canada No clear trend emerged as Toronto stocks were mixed in slow trading by mid-session.

The composite index, which hardly moved in early trading, gained 4.20 to 3,121.30.

Australia Falls in off-shore markets and softer overnight bullion prices led to early losses, but these were mostly recovered as the market closed barely steady.

The All Ordinaries was down 0.8 points at 1,243.2. The gold index closed 13.5 points lower at 1,543.3 after sinking 30 points at one stage.

Milan For the eighth session in a row share prices closed higher in lively trading led by Ferruzzi and Gruppo Ferruzzi units.

De Benedetti unit CIR jumped 14 per cent to close at L4,720, while group unit Cofide gained 3.8 per cent to L1,993 and Sitom 9.3 per cent to L7,100.

Stockholm The release of Sweden's larger than expected December current account deficit of Skr1.5bn continued with profit-taking to drive prices down an average 0.9 per cent.

Selected buying and bargain-hunting meant the market closed with the minority Labour government and trade unions would be resolved assisted shares to close firmer.

Frankfurt Professional short covering before the weekend and favourable sentiment helped share prices to end a quiet session firmer.

Investors stayed mainly on the sidelines, deterred by erratic movements in the dollar in the morning.

Zurich Share prices closed easier on moderate trading after profit-taking.

The lower close on Wall Street on Thursday offset the positive effects of a stronger dollar.

Oslo Hopes that wage negotiations at the minority Labour government and trade unions would be resolved assisted shares to close firmer.

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Base values of all indices are 100 except NYSE All Company - 50; Standard and Poor's - 10; and Toronto 250. Values of all indices are 100 except NYSE All Company - 50; Standard and Poor's - 10; and Toronto 250. Values of all indices are 100 except NYSE All Company - 50; Standard and Poor's - 10; and Toronto 250.

CURRENCIES AND MONEY

LONDON STOCK EXCHANGE

FOREIGN EXCHANGES

Dollar finishes on quiet note

THE DOLLAR ended an indifferent week on an indifferent note. There was no incentive to take the dollar either higher or lower, and the lack of drive effectively placed a straight jacket on the dollar's movement.

The dollar closed at DM1.7070 from DM1.7095 and ¥130.05 against ¥130.10. Elsewhere it finished at SF1.3990 from SF1.4065 and FF5.7700 from FF5.7775.

2 IN NEW YORK

Table with columns: Feb. 19, Last, Previous Close. Rows include Sterling, Euro, Yen, etc.

POUND SPOT - FORWARD AGAINST THE POUND

Table with columns: Feb. 19, Day's spread, Close, One month, Three months, Six months, One year. Rows include UK, US, Canada, etc.

STERLING INDEX

Table with columns: Feb. 19, Last, Previous. Rows include 100, 1000, 10000, etc.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns: Feb. 19, Day's spread, Close, One month, Three months, Six months, One year. Rows include UK, US, Canada, etc.

CURRENCY RATES

Table with columns: Feb. 19, Bank of England, Morgan Guaranty. Rows include Sterling, Euro, Yen, etc.

EURO-CURRENCY INTEREST RATES

Table with columns: Feb. 19, Short term, 7 days notice, One month, Three months, Six months, One year. Rows include Sterling, US Dollar, etc.

ALL CURRENCY MOVEMENTS

Table with columns: Feb. 19, Bank of England, Morgan Guaranty. Rows include Sterling, Euro, Yen, etc.

EXCHANGE CROSS RATES

Table with columns: Feb. 19, £, \$, DM, Yen, F Fr, S Fr, H Fl, Lin, C S, B Fr. Rows include DM, Yen, F Fr, etc.

OTHER CURRENCIES

Table with columns: Feb. 19, £, \$, DM, Yen, F Fr, S Fr, H Fl, Lin, C S, B Fr. Rows include Argentina, Brazil, etc.

FT LONDON INTERBANK FIXING

Table with columns: 11.00 am, Feb. 19, 3 months US dollars, 6 months US Dollars. Rows include bid, offer, etc.

MONEY MARKETS

UK rates little changed

STRONG ECONOMIC growth, shown by higher average earnings and bank lending, failed to have a significant effect on UK interest rates yesterday. Most traders were expecting a rise in rates at some point, in order to keep a lid on consumer demand, but the pound's strong performance meant that a rise in base rates at the moment would create further upward pressure on the pound's value.

ing a total of £250m. A slightly more nervous undertone was reflected in a 0.0825 percentage point rise in the average rate of discount at the weekly Treasury bill tender to 8.8225 p.c. The £100m of bills on offer attracted bids of £34.4m against £31.0m the previous week and all bills on offer were allotted. The minimum accepted bid was £97.79 against £97.805 and bids at that level were met as to about 19 p.c. and above in full, compared with 35 p.c. the week before. Next week a further £100m of bills will be on offer, replacing a similar amount of maturities.

NEW YORK

Table with columns: Feb. 19, One month, Two months, Three months, Six months, One year. Rows include Treasury Bills, etc.

LONDON MONEY RATES

Table with columns: Feb. 19, Overnight, 7 days notice, One month, Three months, Six months, One year. Rows include Interbank Offer, etc.

Strong bonds contrast with dull shares

STRONG DEMAND for British Government bonds from overseas investment funds yesterday again provided the chief feature of the UK securities markets. Equities continued to slide lower in poor turnover.

FINANCIAL TIMES STOCK INDICES. Table with columns: Feb. 19, Feb. 18, Feb. 17, Feb. 16, Feb. 15, Year Ago. Rows include Government Secs, Final Interest, Ordinary V, Gold Mines, etc.

Christopher Davis of Shearson Lehman Securities is forecasting pre-tax profits of £27m, compared with last year's £22.3m, and a final dividend of 10 1/2p against 9p.

The support for Gilts, which enabled the Bank of England to issue 2400m of new tranches of existing stocks, ran counter to indications in the London money markets of renewed nervousness over UK bank base rates.

The market's confidence has remained thin this week as Midland Bank, British Petroleum, Plessey and several other major names have led the way into Thursday's rally.

Government bonds, however, had another good session, as investors perceived a smooth recovery in the Budget, with the technical situation strengthened by the absence of funding pressures.

Long-dated Gilts closed with gains of just over a full point, and the medium with slightly less. Underlying inflation concerns were reflected, however, in another good session in Index-linked Gilts, which saw ordinary shares in the group up yesterday morning.

Price movements in the front-line electronics issues were generally restricted to a few pence in either direction but there were numerous large turnovers in the sector.

While there were a number of special features in the equity market, the overall picture was one of a market that is likely to rise while sterling remains firm. Equities, however, remained in the City doldrums, and managed only a minor rally as the market moved into the new trading account at 9.30pm on Thursday's rally.

Yesterday's £400m tranches, consisting of £200m 10pc Treasury '92, £100m 9 1/2pc Treasury '99 and £100m 2 1/2pc Treasury '13 still left the supply situation very tight, and the announcement was taken bullishly.

Buying interest was aroused by a favourable report in The Lancet, the medical journal, on a pilot study carried out in the Netherlands on the group's anti-Aids drug Retrovir.

Boots came under selling pressure following a downward revision of forecasts from Warburg Securities (WS), the company's brokers.

Major Food retailer Dees Corporation eased to 174p before edging forward on bear closing to 177p as the company's annual results left Courtney Pope showing a loss of 15 at 205p. Tribble Harris reacted 15 to 100p after the company statement that it will not achieve the profits estimates made in its last year's financial statements.

LONDON TRADED OPTIONS

Table with columns: Option, CALLS, PUTS. Rows include Allied Lytle, Brit. Airways, etc.

NEW HIGHS AND LOWS FOR 1987/88

Table with columns: Option, Feb., Mar., Apr., May, Jun., Jul., Aug., Sep., Oct., Nov., Dec. Rows include L&M, P & O, etc.

TRADITIONAL OPTIONS

Table with columns: Option, Feb., Mar., Apr., May, Jun., Jul., Aug., Sep., Oct., Nov., Dec. Rows include British Gas, etc.

AMERICAN NEW HIGHS (FT)

Table with columns: Option, Feb., Mar., Apr., May, Jun., Jul., Aug., Sep., Oct., Nov., Dec. Rows include AMER. AIR, etc.

AMERICAN NEW LOWS (FT)

Table with columns: Option, Feb., Mar., Apr., May, Jun., Jul., Aug., Sep., Oct., Nov., Dec. Rows include AMER. AIR, etc.

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AMERICAN NEW HIGHS (FT)

Table with columns: Option, Feb., Mar., Apr., May, Jun., Jul., Aug., Sep., Oct., Nov., Dec. Rows include AMER. AIR, etc.

Vertical text on the right edge of the page, likely a page number or reference.

INTERNATIONAL COMPANIES AND FINANCE

LEADERS AND LAGGARDS

Percentage changes since December 31 1987 based on Thursday February 18 1988

Table with 2 columns: Index Name and Change. Includes Investment Trusts, Overseas Traders, Property, etc.

RISES AND FALLS

Table with 4 columns: Index Name, Rises, On Friday, Falls, On the week. Includes British Funds, Corporations, etc.

BANK RETURN

Table with 2 columns: Category and Amount. Includes BANKING DEPARTMENT, ISSUE DEPARTMENT, ASSETS, LIABILITIES.

BASE LENDING RATES

Table with 2 columns: Bank Name and Rate. Includes ABA Bank, Adams & Company, etc.

EUROPEAN OPTIONS EXCHANGE

Table with 4 columns: Series, Vol, Last, Vol, Last. Includes Gold, Silver, and various indices.

TOTAL VOLUME IN CONTRACTS: 27,808

Ask Bid Call Put

Courier + Express Services

The Financial Times proposes to publish this survey on: 21st March 1988

For a full editorial synopsis and details of available advertisement positions, please contact:

Clare Reed on 01-248 8000 ext 3365

or write to her at:

Bracken House 10 Cannon Street London EC4P 4BY



EUROPE'S BUSINESS NEWSPAPER

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Large table listing various unit trusts with columns for Name, Manager, and other details. Includes sections like 'Allied Unit Trusts Ltd', 'Barclays Bank Ltd', etc.

FT UNIT TRUST INFORMATION SERVICE

Handwritten note: 10/1/10/10

Main table containing unit trust information with columns for company name, fund name, and numerical values. Includes a section for 'INSURANCES' in the middle.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Handwritten note: "No 11/10/10"

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Manager, and other details.

Table of London Share Service, listing British Funds, Foreign Bonds & Rails, and Americans with columns for Name, Price, and other details.

Table of Money Market Trust Funds and Money Market Bank Accounts, listing various financial products with columns for Name, Price, and other details.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American companies with columns for stock price, change, and volume.

BUILDING, TIMBER, ROADS

Table listing companies in the building, timber, and roads sectors.

DRAPERY AND STORES - Contd

Table listing companies in the drapery and stores sector.

ENGINEERING - Contd

Table listing companies in the engineering sector.

INDUSTRIALS (Miscel) - Contd

Table listing miscellaneous industrial companies.

INDUSTRIALS (Miscel) - Contd

Table listing miscellaneous industrial companies.

CANADIANS

Table listing Canadian companies.

Contd

Continuation of the American companies table.

ELECTRICALS

Table listing electrical companies.

Contd

Continuation of the engineering companies table.

Contd

Continuation of the industrial companies table.

Contd

Continuation of the industrial companies table.

BANKS, HP & LEASING

Table listing banks, home products, and leasing companies.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies.

Contd

Continuation of the electrical companies table.

Contd

Continuation of the engineering companies table.

Contd

Continuation of the industrial companies table.

Contd

Continuation of the industrial companies table.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies.

DRAPERY AND STORES

Table listing drapery and stores companies.

Contd

Continuation of the drapery and stores table.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other companies.

Contd

Continuation of the industrial companies table.

Contd

Continuation of the industrial companies table.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads companies.

Contd

Continuation of the building, timber, and roads table.

Contd

Continuation of the drapery and stores table.

HOTELS AND CATERERS

Table listing hotels and caterers companies.

Contd

Continuation of the industrial companies table.

INSURANCES

Table listing insurance companies.

Contd

Continuation of the building, timber, and roads table.

Contd

Continuation of the building, timber, and roads table.

ENGINEERING

Table listing engineering companies.

INDUSTRIALS (Miscel)

Table listing miscellaneous industrial companies.

Contd

Continuation of the industrial companies table.

Contd

Continuation of the industrial companies table.

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LONDON SHARE SERVICE

Handwritten note: 104, 101, 102

INSURANCES - Contd

Table listing insurance companies and their share prices, including Royal Indemnity, Commercial Union, and others.

PAPER, PRINTING, ADVERTISING - Contd

Table listing paper, printing, and advertising companies and their share prices, including Newsprint, Printers, and Advertisers.

TEXTILES - Contd

Table listing textile companies and their share prices, including various spinning and weaving firms.

TRUSTS, FINANCE, LAND - Contd

Table listing trusts, finance, and land companies and their share prices, including investment trusts and financial institutions.

OIL AND GAS - Contd

Table listing oil and gas companies and their share prices, including exploration and production firms.

MINES - Contd

Table listing mining companies and their share prices, including various metal and coal mines.

LEISURE

Table listing leisure companies and their share prices, including hotels, resorts, and entertainment firms.

PROPERTY

Table listing property companies and their share prices, including real estate and development firms.

TOBACCO

Table listing tobacco companies and their share prices, including major tobacco manufacturers.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies and their share prices, including investment trusts and financial institutions.

OVERSEAS TRADERS

Table listing overseas trading companies and their share prices, including international trade firms.

MISCELLANEOUS

Table listing miscellaneous companies and their share prices, including various other industries.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies and their share prices, including automotive and aviation firms.

COMMERCIAL VEHICLES

Table listing commercial vehicle companies and their share prices, including truck and bus manufacturers.

FINANCE, LAND, ETC

Table listing finance, land, and other companies and their share prices, including financial and real estate firms.

PLANTATIONS

Table listing plantation companies and their share prices, including rubber and palm oil producers.

TEAS

Table listing tea companies and their share prices, including tea plantations and processors.

THIRD MARKET

Table listing third market companies and their share prices, including various international firms.

COMMERCIAL VEHICLES

Table listing commercial vehicle companies and their share prices, including truck and bus manufacturers.

COMPONENTS

Table listing component companies and their share prices, including parts and accessories manufacturers.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies and their share prices, including media and print firms.

DIAMOND AND PLATINUM

Table listing diamond and platinum companies and their share prices, including mining and jewelry firms.

CENTRAL AFRICAN

Table listing Central African companies and their share prices, including regional firms.

FINANCE

Table listing finance companies and their share prices, including banks and financial institutions.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies and their share prices, including newsprint and print firms.

SHOES AND LEATHER

Table listing shoes and leather companies and their share prices, including footwear and leather goods manufacturers.

SOUTH AFRICANS

Table listing South African companies and their share prices, including regional firms.

OIL AND GAS

Table listing oil and gas companies and their share prices, including exploration and production firms.

DIAMOND AND PLATINUM

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WEEKEND FT

Saturday 20/Sunday 21 February 1988

MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

Ulster's long goodbye

John Lloyd on the Anglo-Irish Agreement and how Protestants are being backed into a corner

form of devolved government "can be achieved only with the co-operation of constitutional representatives within Northern Ireland of both traditions there," the agreement gives Hume a veto over any and all proposals for a devolved assembly because he is "minority tradition." In addition, his close links with the Irish Government allow him to act as a conduit for pressure and complaint; his seats in the British and European parliaments give him a wider stage on which to make his case; and his ready welcome in US political circles allows him to apply yet more pressure via the ally of whom Thatcher takes the most notice.

This skilful and patient politician has achieved, in alliance with the British Government, the entrenchment of Protestant Ulster. As Peter Robinson, a leading figure in the (Protestant) Democratic Unionist Party, says: "Why should John Hume accept anything we put up? He has everything he wants now."

Robinson, for his part, is a pivotal figure on the Unionist side. He and his leader, the Reverend Dr Ian Paisley, do not get on - but each needs the other. Last summer Robinson resigned as deputy party leader (although he remained MP for East Belfast) after a report which he and two Official Unionists - Harold McCusker, MP for Upper Bann, and Frank Millar, the former OUP general secretary - had written was effectively sidelined by Paisley and the OUP leader, James Molyneux. This was, perhaps, not surprising: the report was called *An End to Drift* - and the drift which it criticised savagely was that of Molyneux and Paisley. Their three younger colleagues saw - and still see - them as men unable to direct the post-agreement race of the Unionists and unwilling to come up with any ideas to counterpose against the pact.

After some months of inactivity, Paisley and Molyneux succumbed to pressure to start talks about talks. A solemn dance ensued in which King asked for their proposals and they asked him to suspend the agreement as a prelude to discussion. Finally, just before Christmas, King conveyed forcefully to the two men that the Prime Minister would not think of altering the agreement unless the Unionists came up with something good. Paisley called Robinson back from exile and Molyneux did the same with McCusker (Millar had resigned to become a television journalist in London); these two now form the core of a 10-man committee which has produced a plan for the devolved government of the province, the outline of which is now with the Northern Ireland Office. According to Robinson, it has been received with "interest."



Robinson is a terribly sharp man, accustomed to skating on the thinnest of ice. After being caught by the Garda (Irish Republic police) on a loyalist rampage through the little Eire border village of Clontarf in August 1986, he was fined £15,000 last January by a Special Criminal Court in Dublin: his prompt payment earned him the nickname of "Peter the Punt" in some Unionist quarters.

Robinson shrugs off the mutterings with contempt. He says he is convinced that the committee of 10's proposals will command respect since they address the agreement's priorities of developing a relationship with the Republic, guaranteeing the position of the minority and ensuring civil rights for all.

"Charlie Haughey (the Irish Prime Minister) wants an agreement with his name on it," Robinson adds. "These proposals could be it. If there's one thing we Unionists have learned, it is that we should fight our own corner with the Irish Government, not let the Brits do it for us."

Belfast's political culture is class conscious in a way not found in the rest of the UK. Robinson's base and origins are in the East Belfast working class, a group which has also produced the Ulster Defence Association. This is a paramilitary-cum-political grouping which, with the murder last year of John McMichael, lost its best strategist. He had been instrumental in producing a document called *Common Sense* which sought to lay the foundation for a consensual government for the province based on a written constitution and an

executive whose committee chairmen would be elected in proportion to the votes which the constitutional parties received.

McMichael wrote: "Majority rule in deeply divided societies is likely to be profoundly undemocratic, and the only democratic system is one that allows participation in government by coalition of all groups, majority and minority, on a more or less permanent basis. In such a coalition agreement, a duty would be placed on the minority participants to clearly demonstrate their unreserved support for the constitution, the political institutions of the state and law and order." The Union would exist still although the new executive would have powers at least as wide as those of the old Stormont Parliament, dissolved in 1972 behind the plan, pretty clearly, lies the threat of declaring an independent Ulster - an option more and more Unionists invoke.

The UDA is run, from its heavily protected offices in an East Belfast side street, by Andy Tyrre, a veteran of the 1974 Ulster Workers Council strike and a man who, like most Ulster public figures, demonstrates a remarkable calm and balance despite the clear danger of assassination. "We must," he says, "take back the Ulster problem to ourselves. We must replace British nationalism and Irish nationalism with an Ulster nationalism." He admires Hume's strategic sense but says that "the logic of events will force him to take small steps."

There is another form of Unionism on offer: a form which has been pushed, relatively rapidly, into prominence. It is

championed by Robert McCartney, a leading Belfast lawyer whose height, looks and caustic, impatient intelligence set him apart from many of his fellow Unionists as well as earning him their dislike. McCartney leads the Campaign for Equal Citizenship: he claims lineage from Edward Carson, the province's champion against British-imposed home rule in the first decades of the century. In a speech to a closed session of the Official Unionists' conference in November 1986, McCartney quoted Carson's 1912 words: "We ask for no special rights but we claim the same rights from the same government as every other part of the United Kingdom."

McCartney sees proposals of various forms of devolution as a snare, "vulnerable to something no more lethal than the stroke of a prime minister's pen" and leading logically to an independence that would be economic madness and achieved only after a civil war. Instead, he proposes a "full and equal union" in which a crucial part would be given to the main UK political parties.

McCartney argues that by being forced to deal with the realities of Ulster, and by being forced above all to get votes, the Conservative, Labour and Alliance parties would redeem themselves from their anti-Unionist prejudices and take full and democratic responsibility for a province which would respond by gradually relinquishing sectarian politics for the normal calculations of class, social and economic interest.

McCartney, who worked his way up into the Belfast establishment, is scathing about the British one. He says the

1921 settlement made Ulster into "a political prison, with the Protestants as the political trustees given a few privileges for keeping an eye on the Catholics." He came close to carrying a policy of complete integration through that November 1986 OUP conference but he lost by 40 votes and was expelled soon after. He claims the high moral ground, though, and with some justice: an opinion poll last year showed 62 per cent of respondents, including 59 per cent of Catholics, were in favour of integration.

Underpinning these rifts are two other factors, less comforting for the Government than the manifest divisions in the Loyalist camp. One is that no Unionist, anywhere, has shown the slightest sign of peeling off to the Government side; and although they have not cared to stop the province working - as many thought they should - they have simply evacuated the political space.

The second is more ominous. Over the past few months the RUC have recovered, from the Loyalist paramilitaries, heavy machine guns and rocket launchers the same kind of "artillery" the Provisional IRA has been importing. Says Robinson: "The police finds are only scratching the surface. I know that for a fact." Tyrre, some of whose UDA members are certain to know it for at least as hard a fact, adds cheerfully: "Well, at least we know where the money from (paramilitary) racketeering has gone - into heavy calibre weapons. There's enough for a full scale war."

McCartney points the political moral: "They (the Government) have discredited the official Unionist leadership. They have ignored massive demonstrations" (the first, immediately after the agreement was signed, saw some 250,000 people flood into Belfast's city centre - one of the biggest demonstrations in Britain). "To put it bluntly, what certainly will lead to armed insurrection is when you treat crudely the most intelligent and sensitive people in the community."

It is hard to tell if this is an honest assessment or a deliberate, even an unconscious, evocation of a threat that might be real in terms of hardware but will never materialise. Most Unionists - certainly all serious politicians - know, or say they know, that a recourse to weaponry would make their case for union more difficult where it matters: among the rest of the British people.

The Unionist people remain in fear of betrayal of their identity and nationhood. A.T.Q. Stewart, the province's lapidary historian, writes: "The (Protestant) settlers developed over a long period of time a special kind of siege mentality created by the necessity of having always to test the loyalty of those within the settlement itself, both the Irish and those whose steadfastness might have been undermined by constant day by day contact with them... it is precisely because the most cruel and treacherous warfare has broken out over and over again, and usually after a period of relative security, as in 1641 or 1978 or 1980 or 1989, that the besieged suffer such chronic insecurity."

They are suffering it now: a suffering made more poignant by having no means to alleviate it. The best judgment must be that the Unionists will not adjust themselves to run with the grain of what they presume to be British Government policy - that is, to become citizens of a republic where they fear being swamped by Catholicism. So what will they do?

"A.T.Q. Stewart: 'The Narrow Ground', Pretani Press 1986.

The Long View

Putting a price on share ownership

SOMEWHERE out there in Britain, we are told, are nine million or more private shareholders. They represent a political constituency eagerly cultivated by Mrs Thatcher but whose community values are valued more than a degree of participation by the financial services industry.

Private investors, you might say, are a bit like small babies: they are wonderful to admire and healthy to take for a bit of a ride, but they can be disturbingly messy and unpleasant if you have to look after them all the time.

The London Stock Exchange has long paid lip service to the cause of wider share ownership, but its member firms have usually focused upon the much more lucrative opportunities in the institutional market. Here the bargains are much bigger and transaction costs are relatively unimportant.

For this reason, the technological development of the exchange has been centred on the dealing side, and the settlement side has lagged badly, as became painfully evident during the pre-crash boom in equity market turnover. Plans for an electronic settlement system are being pursued, but they have in the past been given a low priority and meanwhile the expensive back-office paper chase goes on.

Until Big Bang in October 1986, many City broking firms were prepared to cross-subsidise the small investor. The fixed commissions scale was imposed on the institutions, and the brokers - as the beneficiaries of the cartel - could afford to take a generous view of what they charged for the smallest bargains.

One of the most predictable outcomes of Big Bang was that this attitude would change drastically. Sure enough, several of the bargain-basement dealing services offered by big brokers were hastily withdrawn or re-priced when the

Barry Riley looks at the reasons why private investors have been charged more for deals since Big Bang and the ambivalent attitude of the Stock Exchange



True costs became apparent. Minimum charges of £12 or £15 have become £20 and now, very often, at least £25 (or £28.75 including VAT). The market is now polarising rapidly. The big, traditional brokers are still keen to develop a high net worth customer base where dealing is bundled with expensive advisory services. But the dealing-only service is moving to new,

small specialists at one extreme and to the big banks at the other, with Barclays this week starting a £1m campaign to promote its Barclayshare stock-broking subsidiary and attract an initial target of 40,000 customers.

On the face of it, Barclayshare offers low dealing costs, with a minimum commission of £16 and a percentage rate of 1.4 per cent up to £5,000, com-

pared with the old official Stock Exchange 1.65 per cent minimum on small bargains. However, there is also a £60 annual fee for the use of Barclayshare's advisory service, underlining the need for investors to make sure in future that they are comparing like with like.

Traditional stockbrokers have in many cases attempted to hold on to their down-market client base by subtly altering the service. Investors have found themselves steered out of equities (commission rate 1.65 per cent) into unit trusts (commission to the broker 3 per cent).

This has been particularly galling to the investment trust movement. The investment trust is the stock market's very own collective investment product, being listed and traded through the market like an individual company stock. But it has been displaced in many stockbrokers' recommendation lists by the more remunerative unit trusts, which are designed for quite different distribution channels.

One hangover from the old Stock Exchange scale is the continued preoccupation with percentage rates. In fact the costs of a securities bargain are largely independent of its size. Some brokers set a maximum as well as a minimum commission; others charge a flat fee on a proportional basis. Cross-subsidisation of the small man by institutional investors may have ended, but cross-subsidisation by bigger private investors continues. Do the latter always realise this? The fact tends to get obscured by the excessive focus upon minimum commissions, important though these may be.

One day, no doubt, an innovative broker will offer a flat rate for all bargains; but for the time being the fear is that clients will be offended by the apparently steep charge that this will impose on a small deal.

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MARKETS

Market sleeps uneasy despite Ford factor

THE HIGHLIGHTS of the London market over the past week can perhaps best be summed up through the titles of two Hollywood movies - The Great Escape and the Big Sleep.

The escape was that of Birmid Quilcast, the lawn-mowers-to-boilers group, from the clutches of hostile bidder Blue Circle, the cement company, in one of the most dramatic takeovers seen in a British takeover battle.

London

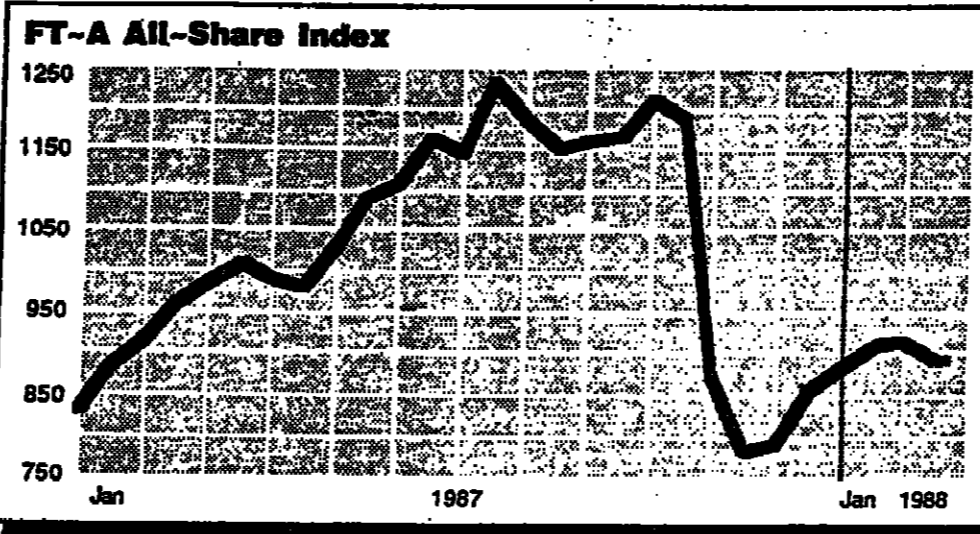
This week, with volume barely 50 per cent of that before October's crash, it has been trading narrowly between 1,720 and 1,750 - despite a run of domestic economic news

statistics demonstrating that Mr Lawson will be under pressure to act with restraint, for demand into the dangers of over-heating and inflation. Retail sales figures for January showed a sharp rise in high street spending, confounding expectations that the consumer spending boom was over.

And Thursday brought news not only of sharply falling unemployment, but also of an acceleration in earnings growth and a record upsurge in bank lending during January.

However, for the moment they seem to be whistling in the wind. Institutions, still smarting from the crash, are simply in no mind to commit large sums to equities and, with good budget news already widely discounted in the market and fears that the world is taking itself into recession, it is hard to see what is going to change the mood, apart from a need to justify the existence of their own investment teams.

A good run of announcements in the results season, which is just beginning, would clearly help matters, but at the same time a sceptical market might well react with undue nervousness to any nasty shocks which companies might spring on the world during the next few weeks.



shares now relatively narrow in the context of the past 15 years, several of the more bullish City analysts are arguing that equities are undervalued and their next movement should be upwards.

Certainly, the major results unveiled during the past week produced no great surprises. In the banking sector, Midland opened the clearing's reporting season with a \$60m loss for 1987 - the first clearer ever to report a full-year loss - because it had to set aside just over £1bn to protect itself against problems on its Third World loan exposure.

Of rather more interest is where the bank goes now, following its reshaping over the past year through a rights issue, the sale of non-core businesses and the 14.9 per cent advance in the group by the Hongkong and Shanghai Bank. Midland has moved from being one of the weakest UK banks to one of the strongest, in terms of capital ratios, and has a determined new management team.

Martin Dickson

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Table with columns: Company, Value of bid per share, Market price, Price before bid, Value of bid, and Make. Lists various companies and their financial details.

PRELIMINARY RESULTS

Table with columns: Company, Year, Profit (1987), Dividend (1987), and Dividend (1986). Lists companies and their financial performance.

INTERIM STATEMENTS

Table with columns: Company, Half-year, Profit (1988), Interim dividend (per share), and Dividend (1987). Lists companies and their interim financials.

RIGHTS ISSUES

Charterhall are to raise £10m via a one-for-two at 15p. Offers for sale, 'placings' and introductions. Shanks & McEwan has obtained a main market placing via the issue of 2.3m shares at 65p.

RESULTS DUE

Table with columns: Company, Announcement date, Dividend (1987), and Dividend (1986). Lists companies and their upcoming results.

HAMPSHIRE

The Financial Times proposes to publish this survey on: 15th March 1988. For a full editorial synopsis and details of available advertisement positions, please contact: Brett Trafford on 01-248 5116

or write to him at: Bracken House, 10 Cannon Street, London EC4A 4BY

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

Vickers aims for stability

VICKERS, which reports on Monday, has set out quite clearly to open the season of 1987 results from UK manufacturing companies. This time, after virtually trebled profits in the three years 1983 to 1986, shareholders will be presented with a picture of stability.

The shares halved in price from peak to trough last year, partly on post-crash worries about the US market, but they have since recovered some of their losses after hearing that the company has hedged dollar income ahead through 1988.

Analysts now expect chief executive Sir David Plastow to report pre-tax profits in the low \$600m, up from \$4.2m in 1986, against original forecasts of the \$65m area. They say that Vickers has seen a dip in US orders

of \$500m, after the first six months. Interest in Lloyd's, which made a £1bn plus provision at interim stage, reflecting its heavy exposure to Latin American business, may centre on how the handling of those provisions in relation to the dollar/sterling exchange rate may impact on its balance sheet ratios at the year-end.

Analysts have been increasing their provisions against last October's hurricane in England, and reducing their profits forecasts for Wednesday to as low as \$263m pre-tax, against the \$296m to which they followed which followed last November's third quarter figures.

Wednesday also brings first quarter figures from Hanson which, in a quiet period between sensational deals, has recently been in financial house-keeping mode.

NEWPORT The Financial Times proposes to publish a Survey on the above on MONDAY 23RD MARCH 1988. For a full editorial synopsis and details of available advertisement positions, please contact: CLIVE RADFORD on 0272-292565 or write to him at: Merchants House, Wapping Road, Bristol, BS1 4RW

HIGHLIGHTS OF THE WEEK

Table with columns: Price y/day, Change on week, 1987/88 High, 1987/88 Low, and Economic data taken calmly. Lists various market indices and their performance.

licensed ones such as "Country Diary of an Edwardian Lady". Webster and marketing director Chris Taylor set out to develop a fringe product into a mass market one, improving packaging and displays, and, more major retail outlets.

In 1986, faced with the need to diversify, the company attacked the air freshener market, estimated to be worth about \$60m. The biggest potential distributors of these are the large supermarket chains.

No doubt Gary Fitzgerald, the manager of the Throgmorton USM Trust, will be reading the prospectus. On Thursday, the trust reported some impressive results for the year to December 31. Despite the market crash in October, net assets increased by 18.7 per cent from 119.9p to 142.3p per share, the Datastream USM Leaders Index, the top 100 USM companies in terms of market capitalisation, or about 55 per cent of the Times Actuaries index rose 4.2 per cent over the same period.

The Throgmorton USM Trust is aimed at individual shareholders and smaller institutions who do not have the time or resources to follow smaller companies. At least 75 per cent of the fund is invested in USM companies, with a few unquoted and third companies. When an USM company goes to the main market, the shares are held until the fund wants to raise cash.

The trust has performed well for a number of reasons. Throgmorton devotes all its time to getting to know management well. Its team of eight managers visit over 200 companies a year. The emphasis is on long term investment rather than trading - which is usually difficult on the relatively illiquid USM.

Fitzgerald also adopted a brave strategy, which meant, he says, "being fully invested in the depths of the crash during October and November. As an investment trust, we were able to use our borrowing powers to buy stocks at reasonable prices."

"As the markets have recovered, we are keeping more assets in cash," he adds. "I'm cautious about the next few months, but with the USM, even if the economy turns down, there are plenty of investment opportunities."

Heather Farmbrough

Sweet smell of success

FUTURE anthropologists might understand why the City ground to a halt last October 16 after the hurricane, but they might find it harder to comprehend the habit of sending Valentine cards as nearly more than the capitalist system could bear.

This week, the largest USM issue yet became the unlikely casualty of a deluge of romantic mail. The closing date for postal application for London Forfaiting, the export credit company which is raising \$81m on the USM, had to be delayed for two days following complaints by priority shareholders who had not received their application forms in time to meet Thursday's deadline.

Another in the USM pipeline is Kitty Little. The anthropologists would be fascinated by this company. It manufactures "natural" fragrant products to sweeten the air in the home, like fragrant sachets, as well as "shoe kittens," which are your shoes smell better. These are vivid red or blue fabric cats which would terrify any mouse brave or foolish enough to venture near them.

The company's history dates back to 1978, when the eponymous founder who left the company in 1982 - started manufacturing and distributing herbal cosmetic products and herb-filled pillows and sachets.

In April 1986, Graham Webster, the chairman and managing director, acquired a controlling shareholding and decided to concentrate on environmental fragrance products, or "going back to lavender in the home" as he calls it. Most of Kitty Little's products are sold under its own brand names or under

initially they were sceptical, because natural fresheners were up to twice as expensive as chemical ones," recalls Taylor. "But people are prepared to pay more for natural products."

From a standing start, Kitty Little sold around 8 per cent of its products, mainly air fresheners, through supermarkets last year. The next big growth area for the company is likely to be the UK shoe insoles market, which is worth between £7m and £8m. Test marketing for a range of car accessories is under way, and, if successful,

which might have been expected to spark more interest at the ending of the strike at Ford Motors, a dispute which at one stage had looked as if it might unleash some strong inflationary wage pressures.

The Government confirmed the large scope it has for cuts in income tax in the March 15 budget with figures showing a \$6.8bn surplus on the public sector borrowing requirement in the first 10 months of the current financial year, which could give Mr Nigel Lawson, the Chancellor, ample scope to announce some £4bn of tax reductions.

Against that, however, the week also produced a crop of

MARKETS

Plus points and some special factors

THE ILLUSTRATION on this page tells the story of two Mondays. On Black Monday last October, minus signs were the stock order of the day virtually around the world, and now was to follow. Last Monday was very much quieter and probably passed largely unnoticed, yet the FT-Actuaries World Indices of the day had plus signs for all 24 markets in dollar terms - a unique event since the October crash. Are the markets beginning to tell us something?

Perhaps it is nothing more than a few stray straws in a still turbulent trading environment, but it could be a floor of sorts. The World Index for Black Monday closed at 118.96; last Monday it was the same round figure, and still some 6 per cent ahead over a full year. Not a staggering performance, of course, but no real disaster either for the investor with strong nerves who decided to stay with the markets.

World Markets

And buying in around the bottom of the crash has, in retrospect, been no bad move. On a global basis measured in dollars, the market ended this week some 20 per cent above its 1987 low and, surprisingly, given the tales of gloom and doom, only 14 per cent off its peak last year. Acres of newspaper print have been given over to post-crash analyses and to markets which had risen to dizzy heights, and the relatively modest correction since then may only reinforce the view of the bears that fundamentals are still being ignored.

Some European stock markets in recent weeks have certainly been running against any bear tide, as Wood Mackenzie calculations in the table clearly illustrate. Over the first seven weeks of this year, the Belgian index has risen by a quarter and Sweden by a fifth. The very sharp advance in these two markets certainly distorts the continental European scene, yet the market as a whole is now 5 per cent higher since the start of the year, with only Austria and Italy bucking the trend. Yet fundamentals have not altered a lot, if indeed at all. The outlook for corporate profits in Germany is far from rosy; the forthcoming presidential elections in France has added a political risk to the other market uncertainties. The minority Irish Government was defeated in a Dail vote during the week, yet that market is more than a tenth higher since the start of the year.

Analysts at Citicorp Scrimgeour Vickers in their February report have been downbeat on Europe: "The economic climate has turned more decisively against equities in recent weeks. The combination of price volatility and weakening economic fundamentals is driving away long term investors. The European markets have struggled to recover from the October crash and show little sign of doing so. Some could experience further falls. Any sustained strength is ruled out."

But on the surface at least, the markets themselves are saying that the market-watchers are getting it wrong. Can they both be right? Perhaps. The more stable dollar has helped sentiment in a number

FT-ACTUARIES WORLD INDICES	
Country	% Change from 1987 to Feb. 1988
Austria	-7.4
Belgium	+25.8
Denmark	+7.5
France	+11.2
Germany	+3.8
Ireland	+3.7
Italy	+11.8
Netherlands	+6.5
Norway	+8.7
Spain	+9.5
Sweden	+11.5
Switzerland	+5.4
EUROPE EX UK	+5.2
Japan	+15.8
USA	+12.9
UK	+2.6
World Index	+11.6

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of European markets over recent weeks, notably in the hard currency countries of Switzerland and Germany. A number of markets these past two weeks were showing signs of volume increases, albeit from the dismal levels of recent months, and some continental bourses are only making up lost ground, since they fell even more sharply after the crash than most of the bigger markets.

A more stable dollar and institutional liquidity (for example in Sweden and the Netherlands) have helped, but what goes much of the way to square the circle between the bear analysts and actual market performance in the past few weeks has been the rash of takeover activity, actual or rumoured. French brokers have been boasting of private hits of takeover targets and have been in the market accordingly, and there has been enough substance to give some credence to the many rumours.

Mr Carlo de Benedetti, the Italian financier, launched single-handedly a bull rush on the Belgian market with his bid to capture the giant holding company, Societe Generale de Belgique, in Holland, the country's largest publisher (VNU) is trying to gain control of Audet, another publishing house, while Nedlloyd, the big transport group, is seemingly in play, possibly prey to a group of its own dissident shareholders with some little help from the Norwegian shipping tycoon, Mr

Torstein Hagen. The French takeover scene has been even more active. Italy's Assicurazione Generali is stake-building in its French opposite number, the large insurer, Compagnie du Midi, while Remy Martin and Martini e Rossi are each trying to buy the "monks' brew" company, Benedictine. Another French drinks group, Martell, has gone to the Canadian company, Seagram, with the British Grand Metropolitan group as the under-bidder. Telemecanique is under assault from Schneider in the French engineering sector and Framatome is presenting itself as a white knight.

Whatever the commercial and industrial logic of all this takeover activity, its influence on the bourses has been obvious, and not only in the shares of the target companies. Many of the big European groups are webs of intricate cross-holdings - Belgium's Societe Generale is classic case - and the ricocheting influence of a takeover or major share-building exercise can and does show up across a range of shares. Others move on the improved sentiment - at least for a while.

These special situations create their own distortions. The Belgian index, as noted, has risen by a quarter so far this year, but the finance/insurance sector (which includes Societe Generale) is up a massive 42 per cent. Similarly, the beverage/tobacco sub-division, reflecting Martell, is 18 per cent higher, itself distorting the consumer goods/services sector

INTERNATIONAL AND REGIONAL MARKETS		
Figures in parentheses show number of stocks per grouping	MONDAY FEBRUARY 15 1988	
	US Dollar Index	Day's Change %
Australia (93)	159.30	-2.5
Austria (16)	120.94	-1.2
Belgium (48)	108.60	-3.2
Canada (127)	115.16	-4.8
Denmark (28)	128.50	-2.8
France (222)	92.14	-7.8
West Germany (93)	92.05	-5.8
Hong Kong (46)	138.50	-10.8
Ireland (14)	145.37	-5.0
Italy (82)	103.37	-3.2
Japan (400)	147.99	-1.7
Malaysia (34)	152.53	-11.5
Mexico (14)	152.09	-2.3
Netherlands (37)	106.47	-3.3
New Zealand (23)	124.28	-1.7
Norway (24)	149.66	-4.1
Singapore (27)	142.78	-13.5
South Africa (63)	102.64	+2.3
Spain (43)	125.37	-0.6
Sweden (34)	124.02	-6.3
Switzerland (13)	97.10	-10.3
Thailand (33)	144.02	-9.0
USA (504)	92.83	-20.8

The World Index (2421) 118.96 -0.5

INTERNATIONAL AND REGIONAL MARKETS		
Figures in parentheses show number of stocks per grouping	MONDAY FEBRUARY 15 1988	
	US Dollar Index	Day's Change %
Australia (93)	94.31	+1.3
Austria (16)	84.76	-0.5
Belgium (48)	116.34	+1.6
Canada (127)	113.31	+1.2
Denmark (28)	115.61	+0.7
France (222)	113.25	+1.7
Germany (93)	81.85	+1.1
West Germany (94)	74.15	+1.7
Hong Kong (46)	87.56	+0.4
Ireland (14)	107.64	+0.6
Italy (82)	67.32	+4.1
Japan (407)	150.26	+1.6
Malaysia (34)	110.99	+1.5
Mexico (14)	120.44	+1.2
Netherlands (37)	99.52	+1.0
New Zealand (24)	69.44	+2.2
Norway (24)	102.44	+0.5
Singapore (26)	101.83	+0.6
South Africa (63)	123.55	+3.2
Spain (43)	133.23	+0.3
Sweden (32)	120.86	+1.1
Switzerland (13)	79.40	+2.2
United Kingdom (328)	125.65	+0.6
USA (506)	103.14	+0.0

The World Index (2437) 118.46 +1.0

2001 - a financial odyssey?

TO THE dwindling number of investors who still believe that economic fundamentals are the fundamental forces behind financial market performance, the most important event on Wall Street this week was the rare statement on Federal Reserve monetary policy by the central bank's chairman, Mr Alan Greenspan.

Mr Greenspan is a figure whose reputation for dry wit and forthright opinions has not been much in evidence since he took over at the helm of the world's most important monetary institution. He therefore caused a considerable flurry in the bond market when he came out on Tuesday with this uncharacteristically colourful comment: "The relationships at the moment among all the major financial variables seem to be in relative balance. For the moment, we are in equilibrium."

That judgement might have been evident enough to anyone

who had been following recent US economic statistics, which had been balanced almost perfectly between signs of economic weakness and strength. It was also nothing more than a statement of the obvious regarding the uncanny stability of currencies, interest rates and stock market prices throughout the world in the past month or so.

Wall Street

But to the US bond market, which had been unaccountably winding up its hopes about the possibility of an imminent discount rate cut, Mr Greenspan's laconic words came as a big disappointment - which is why the US Treasury's benchmark 30-year bonds are now selling for nearly two points less than they were a week ago, when long-term interest rates looked

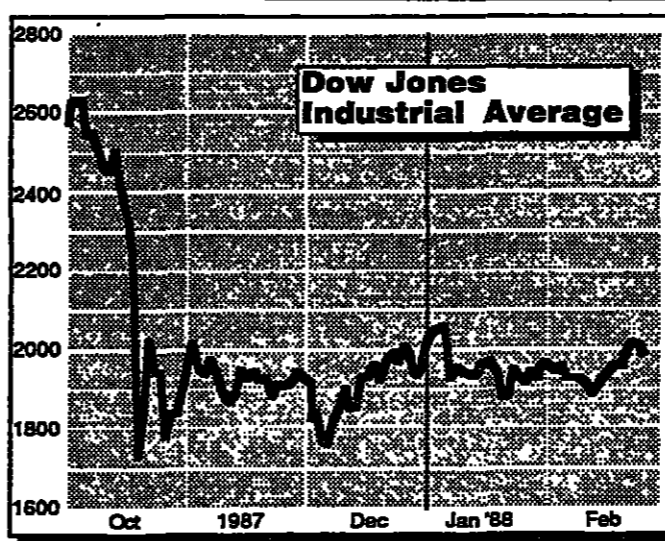
like they might soon fall below 8 per cent.

The stock market, however, does not seem to care much these days about such macro-economic fundamentals as interest rates, or even trade deficits and exchange rates. For equity investors, the last few weeks have been dominated by a series of far more interesting events - or non-events - than the utterances of Mr Greenspan. In fact, it can be argued that the most important event for the stock market since Black Monday has been the repeated failure of the Dow Jones Industrial Average to break decisively through the 2,000 mark - a failure which was repeated strikingly again this week.

Of course, many investors believe that technical stock market analysis, with its seemingly arbitrary resistance and support levels, to say nothing of its more arcane oscillators, pennants and saucer bottoms, is

just a lot of mumbo-jumbo. But these people are unlikely to have made much money on Wall Street since October 19. Even without any detailed analysis of coils, island reversals and exhaustion gaps, a casual glance at the chart of the Dow Jones Industrial Average since early 1986 seems to provide as good an explanation of the extraordinary financial events last October as all the voluminous reports which are gathering dust all over Washington these days.

What went up between January and August with almost no interruption and no setbacks for consolidation was bound to come down. In the two days preceding Black Monday the Dow fell below 2,300, its last brief resting point before the dizzying flight to the August peak of 2,722. But once it had penetrated 2,300, there was no technical reason for the market to stop above 2,000 and plenty of reason to expect a plunge all



the way to the 1,750 mark - a base which the market had been painstakingly building throughout most of 1986. Since Black Monday, the charts have certainly offered a better guide to stock market investors than anything that economists, businessmen or poli-

cy-makers have had to say. The market has been firmly stuck in a range of 1,750 to 2,000 on the Dow for four months now - precisely the range defined back in the second half of 1986, during Wall Street's last extended period of stable sideways trading.

Since Black Monday there have been three attempts to break out of this range on the upside, the latest and most convincing of which was mounted this week - and each has been decisively defeated. The key question for stock market investors now, therefore, is whether it is worth hanging on in the hopes of seeing the 2,000 ceiling convincingly breached. If the 2,000 barrier is finally broken, past performance suggests that the market could well take off on a powerful rally, possibly recovering as far as the 2,300 level at which stocks traded just before October 19.

The possibility of recouping all of the paper losses they suffered on Black Monday must certainly be a strong temptation to the many investors who survived the panic selling of that horrific day. Unfortunately, that very temptation also expresses the essence of the long-term bear case. If and when the market does recover to its pre-crash levels, a huge volume of selling is likely to be unleashed. Investors who failed to quit the market before October will be under enormous

Dominick Coyle

pressure to seize their second chance to get out while the going was good. In other words, it is hard to imagine the stock prices continuing to rise much above their pre-crash levels, at least in the absence of some extremely favourable surprises about the state of the world economy and US corporate profits. This, of course, is precisely why the market is having such an extraordinarily hard time penetrating the 2,000 barrier, which is widely seen as the jumping off point for the run up towards 2,300 or so. Nevertheless, it now seems quite possible that, in the absence of visible signs of recession, investors will eventually forget their caution and get up enough momentum to start another bull run - but the next big run above 2,000 is very likely going to be the last for several years to come.

Monday closed 2,005.97 + 22.71
Tuesday 2,000.99 - 4.98
Wednesday 1,986.41 - 14.58

Anatole Kaletsky

You can tell who wasn't reading Financial Adviser on Black Monday



There are several weeklies that claim to serve brokers and financial advisers. Two of them are clad in pink. But only one is from the Financial Times. It's called Financial Adviser. It covers the news that counts. The regulatory maze. The enormous range of products now available to investors - pensions, life assurance, unit trusts, investment trusts, and equity plans. Of course there are up to date statistics. Features to help you. Pointers to market trends. Financial Adviser is there to help you. The one in the pink from the FT.

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INVESTORS CHRONICLE

The ins and outs of the ups and downs

FINANCE & THE FAMILY

Eric Short on Equitable Life's move on bonuses

The cut that cures

FT HAD to happen one day but the announcement by Equitable Life this week that it was cutting its reversionary bonus rates has caused quite a stir. It is the first company to do so and policyholders are naturally anxious to know the reasons for this dramatic step.

Over the past three or four years, actuaries with traditional life companies have given warnings concerning the level of bonus rates for with-profit contracts. The general level of interest rates has fallen slowly but steadily since the early 1980s. Some time ago they reached a level that actuaries considered would not support the high level of annual reversionary bonus rates on their own. The shortfall has been made up out of unrealised equity capital profits, which technically should be credited as terminal bonus, and from the reserves.

In spite of the warnings from actuaries that cuts would have to be made sooner or later, reversionary bonus rates remained steady. No actuary, in a highly competitive market, seemed prepared to bite the bullet. At successive traditional life companies made their declarations for 1987, the pattern appeared the same - no change in reversionary bonus rates. The October stockmarket crash had no impact on these rates, though there was some influence on terminal bonus rates. But this week Equitable Life announced drastic cuts in all its 1987 reversionary bonus rates, particularly on its pensions business where it is a market leader in self-employed and AVC (additional voluntary contribution) pensions.

For pensions the reversionary bonus rate is cut from 8.50 per cent to 7.50 per cent of the guaranteed benefits and attaching bonuses. On endowment assurances, the rate applicable to the sum assured is cut from 5.25 per cent to 2.5 per cent, but the rate on attaching bonuses is maintained at 3.50 per cent.

There is little or no impact on current pay-outs compared with those last year since Equitable Life has adjusted its terminal bonus rates. The accompanying table shows the effect on pension values.

Why has Roy Ranson, the appointed actuary of Equitable Life, taken this decision? First, he emphasises that the October crash in the stock markets had no effect on their recommendation to their board. The determination of the right level of bonus rates is the result of an on-going long-term strategy. Next he claims that the industry is currently pre-occupied, with undue concentration, on one aspect of the bonus pattern - that of maintaining annual reversionary bonuses. He regards this attitude as somewhat misguided. Actuaries, he feels, need to concentrate on the totality of the bonus package. This is a severe indictment of actuaries at other life companies, though it must be stressed

Table with 5 columns: Term, No of premiums, Total fund on 1 April 1987, Total fund on 1 April 1988, Change %.

that no direct attack as such was made by Equitable Life. Nevertheless, one still needs to question the reasons for deciding to cut the bonus at this stage. Does it, for example, reflect a declining performance by Equitable Life's investment team?

Roy Ranson says definitely not. He claims the company has maintained a consistent long-term performance and that their strategy is successful. Equitable Life is one of the very few companies that does not pay commission to independent intermediaries, relying heavily on its sales force for much of its business with the general public.

Hence the general independent financial adviser will not be concerned with this move and the underlying financial strength of Equitable Life, since

he does not deal with the company. However, consulting actuaries and leading pension consultants operating on a fee basis have in the past widely recommended Equitable Life. These firms now have a legal responsibility (on top of their existing actuarial professional responsibility) under best advice rules to check out the life companies they recommend. They all have strong life consultancy operations with the necessary actuarial expertise to check out Equitable Life to find whether the company is cutting bonuses from strength or from weakness.

Unfortunately, these firms do not make their researches generally available to the public. An investor interested in or offered an Equitable Life contract needs to ask a few questions himself. The amount of profit available for the with-profit policyholders depends on many factors including: the investment performance; the general level of expenses; the amount of non-profit business, which includes unit-linked and unit trust business; the level of new business growth.

On the last two factors, Equitable Life has been growing at a very rapid rate - it is in the top five life companies for new premium income. In the short-term, this has an adverse effect on profit, since new life business is 'capital hungry'.

Equitable Life is still a small player in the unit-linked sector. Other mutual companies have become major players in this field and it is proving very profitable for the with-profit policyholders.

On the first two factors, the company itself must provide details and investors must get this information. The signs are that the company is cutting from strength and that over the long term it will be among the top performers. Equitable Life was the originator of the with-profit concept more than 200 years ago.

By its brave decision to cut reversionary rates it could still be setting trends in bonus patterns that other traditional life companies will follow in due course.

Table with 6 columns: Company, Business, Sponsor, Minimum Maximum subscription, Minimum individual, Applications closing date.

Income trust launch



Funds report

THE first of a series of unit trusts 'open days' is to be held at the Debenhams ShareCentre in Oxford Street, London, today. Representatives from nine unit trust groups will be there to talk about the performance of their funds - a brave effort after the October crash.

A micro-computer will provide an instant colour chart on the performance of any unit trust and there will be a free prize draw for a £500 Debenhams voucher. . . . AN Association of Mortgage Lenders was formed this week. It will represent the interests of specialist mortgage companies and banks, which have taken a large slice of new mortgage business away from building societies.

The chairman is Richard Lacy of the National Home Loans Corporation. Vice chairman is Hugh Freedberg of the Mortgage Corporation. There are 27 founding members, but these do not include any of the UK clearing banks. LEEDS Permanent Building Society is launching the first of a series of new mortgage products on Monday. It will offer a preferential interest rate of 8.9 per cent - 0.4 per cent below its current normal home loan rate - for borrowers requiring an endowment of £50,000 or more. The society guarantees that the 0.4 per cent differential below its normal home loan rate will be maintained for the first three years.

WITH THE deadline for enjoying the full tax benefits, currently offered by qualifying life policies fast approaching, London intermediaries Chase de Vere are devoting their money-line information service totally to explanation and information on what you should consider before taking out Maximum Investment Plans. Tel 01-573-4948. . . . FAMILY Assurance, one of the leading friendly societies, says it is working round the clock to help investors beat the February 24 deadline, after which the Inland Revenue will not grant qualification to life policies that can be changed into policies used to avoid paying high rate tax. It is extending its working hours on Wednesday until midnight.

However, past experience with the withdrawal of Life Assurance Premium Relief suggests the Inland Revenue will closely monitor any attempts to slip in new contracts at the eleventh hour. Meanwhile, Family Assurance has joined up with the National & Provincial Building Society to promote its Family Bond scheme, which with no facility to take income should still allow investors to enjoy special tax-exempt savings. As usual you pay high charges for the limited benefits provided by friendly society tax-exempt schemes. There is a maximum investment of £9 a month or £100 a year. During the first year 65 per cent of your contributions are deducted to cover the initial set-up costs but you then pay a further 5 per cent in the form of a spread between the buying and selling price of the units. There is also a low annual charge of 0.75 per cent of the fund's value, plus a handling charge of 30p a month.

NEW HIGH income unit trusts are two a penny these days, with many companies launching them as a vehicle to woo back reluctant investors. They do, after all, make quite a lot of sense offering a relatively competitive yield with building society or high interest bank account rates, with the prospect of some growth in capital too.

Dumenil, the UK subsidiary of a French banking group, claims it has some additional attractions to offer with its Income Strategy Fund, launched today. For a start it is cutting the initial (front load) charge to four per cent, compared with the normal 5 to 5.25 per cent, while still paying the usual commission to intermediaries. At the same time it is estimated that the proposed portfolio mix for the fund will provide an average gross yield of more than nine per cent - equivalent to eight per cent to the investor once the annual management charge has been deducted.

This high yield is being achieved partly by using the group's expertise in the European markets, where there are opportunities not available in the UK. Last year, Europe generally was a disaster for investors, but Dumenil says the declines have provided good buying opportunities and recently European markets have been the best performers in the world. So much so that there has been the first signs of serious buying interest for many months from professional investors and intermediaries.

Initially at least the fund will ignore the Japanese and US markets, and instead concentrate on high yielding shares and bonds in the UK and Europe. During the launch period until March 11, the offer price will be £1 a unit. Minimum investment is £1,000.

John Edwards

Vintage BES crop

Heather Farmbrough takes a look at eight new issues

JUDGING FROM the subscription levels for new issues, Business Expansion Scheme investments in 1988 are proving as popular at this time of the year as in the past. This week, eight of the issues currently on offer come under scrutiny. Listeners to the Archers may be forgiven for thinking that running a wine bar is an idyllic occupation for Nelson Gabriel in Amberley. The reality is far from idyllic. Potential investors will notice the ups and downs of the trade from the trading record published in the prospectus for Ebury wine bars, which already owns and operates two wine bars in Chelsea and Beulah. The company is now seeking to acquire and establish further wine bars in Central London.

The unaudited estimate for 1987 shows a total loss of £15,000, which is at least an improvement on a loss of £121,000 in 1986. The losses stemmed from declining sales in 1984 and 1985 at Draycott's and its subsequent refurbishment. Profit projections for the enlarged company are unsurprisingly, more rosy, with £96,000 anticipated for 1989, rising to as much as £231,000 in 1992.

If you don't drink wine, try Fast Forward Inns. Operating pubs is clearly a thirsty business; this is the second issue in less than 12 months. Further cash is wanted to open more outlets, which will either be large out-of-town inns, situated on or near main A roads, or town centre pubs.

Getting the location right is crucial, particularly for out-of-town pubs. However, the managing team has a good deal of collective experience.

North of the border in Glasgow, Echo Hotels is hoping to complete the remaining funding of the £20.5m Forum hotel by raising \$5.1m under BES. The hotel, which is expected to be completed by early 1989, is situated on the banks of the River Clyde next to the Scottish exhibition and conference centre. It will have 300 bedrooms and other leisure and conference facilities, and will be managed by InterContinental Hotels Forum division, which has invested £1m in the hotel.

Another kind of accommodation issue on offer under BES is sheltered housing - a tautologous description if ever there was one. Companies have not been slow to latch on to the housing needs of an ageing population. According to the last census, there were about 11.8m people over the age of 60 in 1985 - or about 20 per cent of the population. First Choice Retirement Homes intends to offer housing developments in the South East, ranging from self-contained purpose-built homes, usually including the provision of a warden and some communal facilities, to nursing homes and what are coyly called 'sun-set homes' - sites providing all types of accommodation and services for elderly people. Sheltered housing is as much about property development as the needs of the elderly. First Choice is also offering a property development service for the public sector. As mainly for Secure Homes, another BES issue, the directors boast more experience of the worlds of property and finance rather than the sheltered home-care market.

Secure started trading under BES in April 1987 and has five sheltered housing sites under development in the West Country, and now wants to raise further cash. It also provides specialist construction services to clients wishing to build on their own land.

Perhaps the occupants of their homes will buy furniture from another BES company, Lockton Superstores, which will operate specialist retail outlets, principally under agreements with manufacturers or suppliers. It has negotiated a supply and concession agreement with Lockton Retail stores - an earlier BES issue - to sell sofas and ancillary furniture under the Sofaland label. Lockton Retail operates six Leatherland outlets and reported pre-tax profits of £306,000 for the year to September 30. It has just been granted the right to franchise to market Sofaland in the South of England. At £10m, Gladding Estates, property developers and estate agents, is the largest issue described here. The two obvious goals together, and perhaps Gladding is looking at the BES regulation which states that no more than 50 per cent of the value of the company's net assets may be in land and buildings. The question for Gladding is whether it can be a big enough player in estate agency with the industry currently undergoing a process of consolidation. The company's commercial and residential property business will be based in southern England - which may be affected more by the crash than anywhere else.

Finally, KDM International, which imports and distributes wood, grows steadily if slowly since 1985, but jumped in 1987, when the company reported £205,000 pre-tax on turnover of £5.6m. For 1988, the company has projected £1.6m and improved margins on £15m turnover. This reflects increased forward orders coupled with static overheads. KDM wants to widen its range of suppliers, offering customers more competitive terms. Further issues will be covered next week.

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FINANCE & THE FAMILY

Plan carefully before the tax year ends
No relief in sight

THE NEED to plan carefully before the end of the tax year on April 5 is given extra impetus this time by the likelihood that the Budget will spell out a radical shake-up in personal taxation. Reliefs may disappear overnight although tax rates are still expected by many to be reduced significantly despite warnings from some quarters of the potential consequences for inflation and the balance of payments.

In effect, the top-rate taxpayer investing £40,000 (the maximum in any one year) contributes £16,000, while the Exchequer chips in the other £24,000. If the top tax rate falls to, say, 50 per cent, the investor and the Exchequer would contribute £20,000 apiece. Of course, this will not affect investors who plan to invest their full £40,000 allowance in both years regardless.



Personal Voluntary Contribution (AVC) scheme.

the extent of those earnings is not clear until after the end of the tax year. They also enjoy an extra benefit: the ability to top-up the contributions they have made over the past six years and set these payments off against the present year's tax.

£6,600 of gains are tax-free. It could, therefore, be worth turning notional gains on investment into cash before April 5 to make use of the allowance. The money can be reinvested again, although the sale and repurchase must be completely separate transactions (a practice known as bed and breakfasting). Shares that are sold and reinvested within the same two-week Stock Exchange "settlement" period attract only half the usual 1 per cent stamp duty.

Ring the account dry

John Edwards looks at a home banking system that's just a phone call away



THE ROYAL Bank of Scotland seems to have stolen a march on its competitors in the move towards home banking. It is testing a system, developed with British Telecom, which allows you to get information about your account and give instructions from home just by making a telephone call. No extra equipment is required and the cost is simply the local telephone charge. You do not need to adapt your phone in any way, either.

for its HomeBank service. This uses a portable terminal with a keyboard and digital display connected to your phone (assuming you have the right kind) by a special adaptor. You can then use the phone to identify yourself and give instructions via the keyboard. These are confirmed verbally by a machine known as an Autophon. During the trial period the terminal will be provided free but when the system is offered to all customers a "small monthly charge" (probably around £4) will be made.

Bed and breakfast sought

YOU WOULDN'T have thought there would be much interest in bed and breakfasting unit holdings in 1988, the crash wiping out most of last year's gains. However, some brokers and management groups report a greater demand for normal, as investors seek to offset the year's losses against longer term gains.

fasting is something it does not actively encourage. It insists on going through full sale and repurchase and will not release payment for the redeemed units until it has the certificates, and it requires payment in full for the new units. Director Stephen Cotterell admits: "Some people get fed up with us because we take them through this procedure, but we are trying to stick closely to the rules."

Peter Tonkin, managing director of Towry Law Investment Services, feels this attitude makes a bed-and-breakfast deal well nigh impossible, since the need to come up with the full purchase price, possibly before the receipt of sale proceeds, could necessitate an overdraft.

On the income side, there may be a number of ways of affecting the timing of receipts and, hence, the tax bill. For instance, a family company about to pay a dividend could delay doing so until the next tax year. Also, a large investment in an interest-paying account should be made with an eye to when the interest is paid: if it is quarterly (ie, on March 31) it will fall into this tax year and so be liable to tax at the present rates.

Capital gains tax deserves special attention this year, not least because there is no shortage of pundits predicting its demise in the Budget. The first

Richard Waters

UP TO 20% BONUS OFFER LAST WEEK

Worried about share prices? Last October's falls certainly sapped investors' confidence - and subsequent widespread concern over worldwide stockmarket prospects has continued to affect stocks and shares. Nervous about interest rates? Although savings on deposit offer short term security, investors are vulnerable to interest rate movements. Not only do incomes fluctuate, but there is also no prospect of capital growth.

A higher income and potential for capital growth.

FACT 1 - Yields from shares have increased.

Although share prices fell significantly in the wake of the stockmarket setbacks of last October, there is little evidence that companies are unable to maintain dividend levels; indeed many have increased their dividends. At today's prices securities are generating higher levels of income for each pound invested than would have been the case before October 1987. The income gap between interest from deposit accounts and dividends from shares has narrowed.

FACT 2 - Convertibles provide equity investors with higher immediate income.

Convertibles provide a means of obtaining a high, fixed rate of income with the option to convert into the underlying shares of the issuing company at a future date. They represent a means of combining a higher initial yield than from ordinary shares, with prospects for capital growth which, while not directly comparable with shares, could be substantial over the longer term.

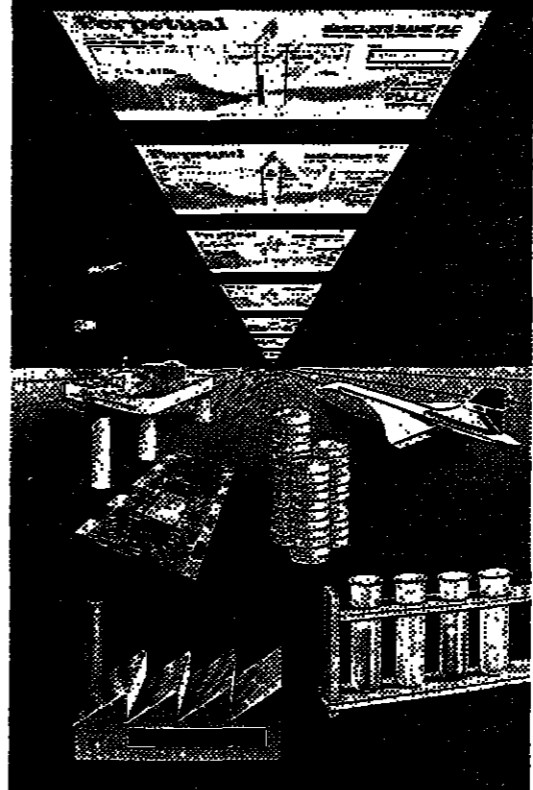
FACT 3 - Potential for capital growth.

Starting from today's lower base, shares and convertibles clearly have enhanced prospects of capital growth so that, although short term stockmarket performance may be unexciting, there is real potential for capital growth in the longer term - something that a deposit account just cannot offer.

FACT 4 - Sound fundamentals.

Most major companies in the principal developed economies of the world, and in particular the U.K., enjoy a sound financial position. Low inflation, steady rates of growth and the application of market forces have resulted in a leaner, healthier corporate environment in which dividends from companies should be at least maintained.

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*On an offer to bid basis and including net reinvested income.

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FINANCE & THE FAMILY

William Cochrane assesses the revival of split level funds

A good thing taken too far

THE LAST three years of the 1980s bull market saw the reawakening of the split level fund. The last four months have seen investment trust specialists arguing that perhaps you can take a good thing too far.

Split capital investment trusts were invented by merchant banker David Montagu, now chairman-elect of Rothmans International, with Duval in 1985 and Triplevest in 1986.

In their simplest form, the trusts are made up from two types of shares: income and capital. The income shares attract all the income and have a fixed redemption price; the capital shares receive the capital appreciation. The trusts normally have a limited life and must be wound up by a certain pre-determined date.

John Korwin-Szymanowski, head of investment trust research at stockbrokers CL-Andersons Laing & Crutchfield (whose entire team it was announced this week, is being transferred to Warburg Securities), demonstrates the gearing effect of this capital structure.

His hypothetical £20m fund is created by the issue of 10m income shares at £1.50 and 10m capital shares at 50p. So three quarters of the money is giving away its potential capital appreciation for a modest lift in yield; if the £20m is invested to yield 5 per cent net of expenses, the income shares would get a dividend of 10p a share and a yield of 6.7 per cent.

Furthermore, he has demonstrated both capital and income shares at par values of £1, so the income shareholders are actually giving away a third of their capital before the game begins. A 10 per cent increase in the value of the fund, from £20m to £22m, puts the asset value of the capital shares up from par, 100p, to 120p against the initial 50p investment.

This is still a commercial proposition. Mr Korwin-Szymanowski explains that the income shares appeal greatly to income funds. They accept the capital loss as a quid pro quo for the boost to income and, for tax purposes, they can offset that loss against capital gains elsewhere.

He also notes that the formula is frequently varied these days to give a certain proportion of capital growth to the income shareholders. With River & Mercantile Gearing, which came to the market in April 1986, the income shares

and will, therefore, have to recommend investment trusts.

However, Bristol-based intermediaries, Hargreaves Lansdown, have found a compromise. They have launched an investment trust portfolio which will invest in a spread of investment trusts. As a fund it will charge the same fees as for unit trusts - an initial charge of 5 per cent and an annual management fee of 1 per cent. Minimum investment is £10,000 and there is a 1 per cent discount if you subscribe before February 20. Dealing will start on March 1.

Hargreaves Lansdown say the October stock market crash has enhanced the attraction of investment trusts, making them low priced and in many cases selling at sizeable discounts to the net asset value of their holdings.

It all depends on how much you want to pay for having somebody else choose investment trusts for you. They are freely available on the Stock Exchange; you can make your own choice and pay far less in commission charges.

Room for growth

John Edwards on an investment trust that is aiming for a potentially large future market

INVESTMENT TRUSTS have dismally failed to match the explosive growth in the sales of unit trusts in recent years, in spite of offering better value for money in most cases.

There is a simple reason for this apparent contradiction. Financial advisers and intermediaries generally do not even mention investment trusts as a possible home for your savings, because there is little or nothing in it for them. Investment trusts are shares and, therefore, all the adviser gets for selling them is possibly a split commission with the stockbroker.

The Association of Investment Companies has been making great play of the fact that when the Financial Services Act is implemented in April, intermediaries will be forced by law to give "best advice" to clients

Loan plan with a timely advantage

John Edwards looks at a way of borrowing based on salary and the value of your home

CHOOSING your own time and method to repay a mortgage-based loan is the key attraction of a somewhat complicated scheme devised by London merchant bankers Kleinwort Benson.

The Select Payment Mortgage scheme is not for the first-time buyer. It is aimed at professional people with an income of over £25,000 already owning, or seeking to purchase, a property worth more than £100,000.

The scheme allows you to borrow up to 2.5 times your annual salary and 70 per cent of the property's value. The loan is then split into two elements. The first is a standard Kleinwort Benson interest-only mortgage for £30,000, on which you pay the interest in the normal way, qualifying for the maximum tax relief.

The remainder of the mortgage, after £30,000 has been deducted, is treated as a special loan facility which you can use for any purpose, although the interest payable is based on the home loan rate - currently a competitive 9.5 per cent. You tell Kleinwort how much of the facility you wish to borrow, but the method of repayment depends on the percentage you take up.

If you borrow less than 50 per cent of the total facility available there is no obligation to make any repayments until you choose to do so. The interest due is simply added to the outstanding amount and gradually accumulates. Providing it remains below 50 per cent you can repay either by lump sum or monthly payments of your choice.

But to ensure borrowers do not get over-extended, restrictions are imposed on loans above 50 per cent. You have to pay a specified proportion of the monthly interest due, going up to 100 per cent if you borrow the total facility available.

You can ask for the facility limit to be revalued in line with any increase in the value of the property and your income. Therefore, in theory, you can increase the amount you borrow as the line with increases in the value of your property or wealth.

Finance for a sunny day

David Lascelles reports on an easier way to buy property along Spain's Sunshine Coast

THE BRITISH are by far the largest buyers of coastal and leisure property in Spain so it is natural that the people who finance property purchases should see it as a good market. The main problem is, how do you arrange a loan in a foreign country?

Abbay National has gone some way toward solving this by setting up a new subsidiary in Gibraltar specifically to help expatriates buy homes on the Costa del Sol.

According to Mr Paul Gardner Bougaard, Abbey National's manager in charge of Europe and offshore development, the service has been designed to be as close to a UK-style mortgage as possible. Virtually all the documentation will be in English, the loan will be in sterling, and all the legal and valuation work will be carried out by local Spanish firms appointed by Abbey.

The borrower's loan will be converted into pesetas to pay for the property but it will be repaid in sterling. There is a currency risk involved: when the owner comes to sell the property its sterling value may have changed if the peseta moves sharply, and in the worst case the sale proceeds could be worth less than the loan. But Abbey is prepared to advance only 60 per cent of the purchase price, so there is a lot of leeway.

The loan will be priced at 8 per cent over base rate (currently 9 per cent), with a minimum loan of £16,000. The term is five to 15 years.

To help would-be purchasers, Abbey has produced a leaflet explaining property-buying procedures in Spain, and defining local terms such as Escrituras (conveyance deed) and Plus Valia (a local tax). On average, you must expect to spend 8 per cent of the purchase price just on costs, it warns.

Abbay claims to be the first UK institution to offer this kind of service. However, there are other ways of doing it if you want to shop around, though none of them are as convenient. Barclays Bank, for example, will let you take out a second mortgage on your UK home to mortgage on your UK home in Spain and Lloyds also does mortgages through its Spanish branches. However, unlike Abbey National, these are not tailor-made services.

First National Finance Corporation has also made a speciality of financing time-sharing deals in Spain in conjunction usually with the UK construction firms involved.

The Abbey move comes in the context of the new powers which building societies now have to expand in EC countries by virtue of last year's Building Societies Act. This implies that further moves can be expected. The Leeds Permanent is going offshore to the Isle of Man, where it will be the first UK building society to open doors. Last month, the Abbey also began to offer offshore accounts from Jersey.

Look to the East

YOUNG MEN used to be urged to go west to seek their fame and fortune. Now, Savio & Frost is urging investors to head in the opposite direction.

The group's Eastern Discovery Fund, launched today, reflects its belief that "the axis of economic power is shifting towards the East" and, therefore, any long-term investor must be involved in that region. The Japanese market, which held up surprisingly well after Black Monday, will provide the core of the initial portfolio.

However, the fund will also seek to invest in markets throughout the region ranging from Australia to Hong Kong, Taiwan and India as well as China when the stock market there resumes trading. Many of these are high risk areas, as some of the spectacular price falls showed recently. But S & F claims that these declines provide a good chance to invest in an area which is going to lead the world eventually.

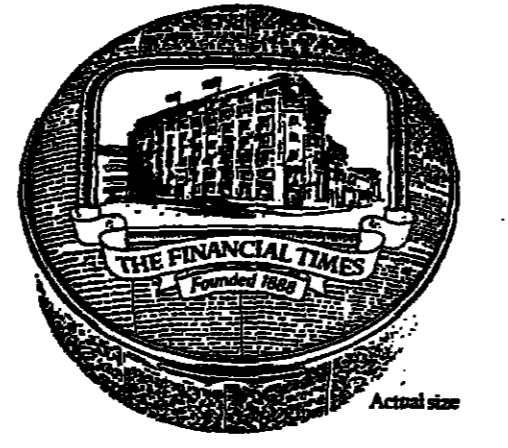
So far, S & F's Japanese funds have not been particularly brilliant performers. But Robert Fleming, which assumed full control recently, has strong links with the Far East through a joint company with the Jardine group, so the latest fund should provide a good start for the new investment set-up.

Minimum lump sum investment is £500. For the cautious, there is a regular savings plan from £20 a month which gives you the advantage of pound cost-averaging over a longer period. Units in the fund are offered at a fixed price of 50p until March.

John Edwards


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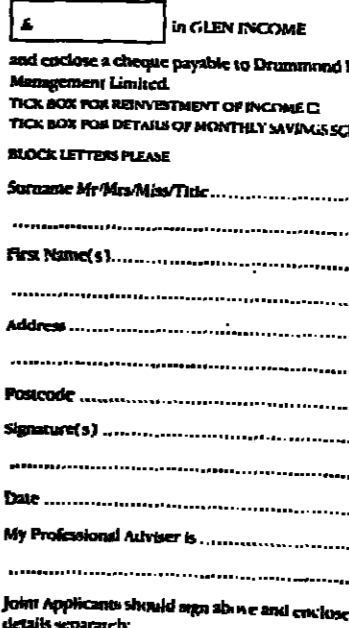


URGENT REMINDER TO INDEPENDENT INTERMEDIARIES

Investment Intermediaries who wish to obtain a Membership Application Pack for authorisation under the F.S.A. are advised to write to FIMBRA at 22 Great Tower Street, London EC3R 5AQ enclosing a cheque for £25 or call in person at FIMBRA's offices where packs can be purchased at the reception counter.

Application forms must be returned, in good order, by Friday 26th February, 1988.

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GLASGOW INVESTMENT MANAGERS

FINANCE & THE FAMILY

Umbrellas offer shelter

WHAT ARE umbrella funds and what do they offer British expatriates? These are topical questions now that the genre is on the march again.

Two new products, one from Ivory & Sime and the other from Astina, are about to be launched. These follow the introduction of an umbrella fund by Capital House Fund Managers, an investment subsidiary of The Royal Bank of Scotland, and Fidelity's addition of seven new sub-funds to its existing umbrella range.

The Ivory & Sime Atlas fund is one of the options available to investors in three Ivory investment trusts which are being restructured. As from March 7, the Atlas fund also will be available to the public. Atlas is being masterminded by Richard Carswell, managing director of Ivory's new financial services company. In 1984 he was the architect of the first umbrella fund, the Portfolio Trust, from Arbuthnot Financial Services. That has since metamorphosed into the Prestige Portfolio Trust, now managed by Royal Trust Asset Management.

Four years ago, the turbulent infancy of this controversial onshore trail-blazer dictated that future development of umbrella funds would take place offshore. The original Portfolio Trust was heralded as the first of a new generation of funds. It offered separate share sub-funds, each covering major world markets such as the UK,

US and Japan, into and out of which investors could switch money at little or no cost.

That was, and still is, the essence of umbrella funds, except that the 1988 models usually offer a wider range of equity sub-funds as well as bond and currency options. Newer versions also tend to be constituted as limited companies, offering participating shares, rather than as unit trusts. When such companies are incorporated in Luxembourg, as many now are, they delight in the name of *societe d'investissement a capital variable* (SICAV).

The real character of the original Portfolio Trust was Arbuthnot's claim that it was a single entity and that switches from one sub-fund to another should not give rise to a capital gains tax liability. Predictably, the Inland Revenue took a different view, and it was supported by the High Court which ruled in 1985 that switches from one sub-fund to another would indeed be subject to CGT. Since then, all umbrella funds - and there are now around 20 - have been launched outside the UK.

For UK investors, and British expatriates who have not ceased to be resident the key question is whether the fund

Peter Gartland looks at funds that give investors the chance to switch money at little or no cost



receives so-called distributor status by ensuring that at least 85 per cent of its net income is distributed to investors. If distributor status is not granted, you are subject to the full rigours of paying income, rather than capital gains, tax. However, it is for British expatriates who have ceased to be ordinarily resident that umbrella funds really come into their own. To cease being classed as ordinarily resident normally requires three complete fiscal years of non-residence, or one complete year of non-residence where there is full-time employment overseas. Expatriates who have achieved the coveted non-resident status can invest in

umbrella funds without having to worry about UK taxes, although non-residents who are about to return to the UK will need to take special care with their investment planning. Non-residents who invest in umbrella funds may have to bear a share of taxes in the territory in which the fund is incorporated, but such taxes are usually nominal and are absorbed in the front end and/or annual management charge. Standard Chartered's Scimitar Worldwide Selection fund has even gone so far as to obtain an undertaking from the authorities in the Cayman Islands, where the fund is incorporated, that any local tax that might in the future be lev-

ied on income or capital gains will not apply to Scimitar until the year 2008.

Henderson's Luxembourg-based umbrella fund is unusual in that it is denominated in sterling, whereas most are in dollars. One of the biggest dollar-denominated umbrella funds is Gartmore's Capital Strategy, which comprises 21 sub-funds covering equity markets, fixed interest facilities and currencies.

The high minimum investment of \$25,000 is designed to deter smaller investors but it also contributes to Gartmore's ability to operate without a front-end initial charge and without bid/offer spreads. The only charge is an annual management fee of 0.75 per cent of net asset value.

Despite the high minimum investment, Capital Strategy's manager, Mark Donnan, claims to have attracted around 7,000 investors from more than 70 countries. At its peak, assets under management in Capital Strategy exceeded \$500m. In the wake of the October 1987 stock market crash, the fund size has dropped to \$430 million. Even at that level, Gartmore claims that Capital Strategy is still the largest umbrella

fund in the world.

Umbrella fund managers claim that the main advantages for investors revolve around factors such as low charges and a low minimum investment, no (or low-cost) switching and flexibility. But it is only fair to point out that not everyone in the investment community praises umbrella funds unreservedly. Richard Eats of CT Investment, which manages more than \$1bn of offshore fund money, concedes that there was a time when, as he puts it, "You could only deal on those Tuesdays when there was a full moon."

If such obstacles were still widespread, umbrella funds would provide incomparable facilities. But, explains Eats, CT has restructured its offshore services so that fund switches can be made at any time and in any currency.

He points also to the fragile nature of distributor status, which has to be negotiated on a year-to-year basis with the UK tax authorities. If the status is lost for one sub-fund, it is lost for the entire umbrella. That said, distributor status is a point of merely academic interest to long-term non-residents.

Peter Gartland is editor of The International, the new FT monthly controlled-circulation magazine for expatriates. The first issue, was published this week.

SCHOOL FEES

Don't sacrifice more than you have to for your children.

School fee plans are not all the same as so many parents might suppose. Our new School Fee Trust Plan, linked to a trust with charitable status, will provide a head start in providing for school fees in the years ahead. That trust basis, combined with our first-class investment track record, is the answer to your problem. And, what's more we are listed as school fees specialists by the National Independent Schools Information Service.

To: The Equitable Life, FREEPOST, Walton Street, AYLESBURY, Bucks HP21 7BR. I'd welcome further details on your school fee plans, financing them by A capital sum; Spreading the cost over a period. (UK residents only)

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FFFA

The Equitable Life

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Easier loans scheme

PARTNERS in small businesses often have cash flow problems, either in releasing capital for personal use or in raising fresh partnership capital.

In recognition of this, Royal Trust Financial Services, a fully-owned subsidiary of the Royal Trust Canadian banking group, has decided to improve its scheme whereby it provides unsecured loans to professional partnerships such as solicitors, accountants, surveyors, doctors, dentists and vets.

Previously, the scheme was confined to partnerships of eight or more and any loan granted was based on 18 times the annual contribution to a personal pension plan arranged through RoyTrust. Now, there are no limits on the number of partners and

the loan size is based on a maximum of 30 per cent of the tax-free cash sum payable when a pension plan matures.

The growth assumptions for calculating the cash sum are 12 per cent compound under unit linked policies and 15 per cent under with-profits contracts.

This new method of calculation, according to RoyTrust, will make the scheme much more attractive for younger partners, who previously had to pay high contributions to fit in with the 18 times requirement.

Interest on the loans, of between £15,000 to £100,000, is charged at 2 per cent over the three-months-forward London Interbank Offer Rate (Libor) for partnerships of six or more. The rate is increased to 2.5 per cent for smaller partnerships, and the maximum unsecured loan is restricted to £50,000.

The interest is tax-allowable and this kind of loan can be used to reduce your tax bill.

There are no arrangement fees but you are required to take out a life assurance policy to cover the loan in case you die before retirement, as well as the pension plan, which acts as collateral for the loan.

Part-timers need help, too

Britain, with 40 per cent of all part-time jobs in the EC, lags in employment protection, says Linda Lennard

MORE THAN 6m people in Britain are part-timers, which is over 20 per cent of the total work-force. Their growth contrasts with the decline in numbers working full-time although it is certain that some of the 4m-plus women who work part time do so because full-time opportunities have become very limited.

Britain accounts for 40 per cent of all part-time jobs in the European Community but continues to lag behind other EC countries in terms of employment protection.

According to a recent report, 80 per cent of part-time workers in Britain are low paid and are excluded heavily from normal employment benefits such as occupational sick pay and

pension schemes. For, despite the growth of part-time work as a key feature of the labour market, it continues to be regarded commonly as marginal economic activity.

However, if you are contemplating part-time work you are offering many employers their favoured arrangement, and your approach should be the same as if you were entering full-time employment.

It might, for example, appear tempting to accept a weekly wage of less than £39 because you avoid having to pay national insurance contributions. But you also forego a number of benefits, including unemployment and invalidity. Neither would you be eligible for statutory sick pay (SSP) if you fall ill.

Most legal employment rights begin to operate if your normal weekly hours exceed 16; then you are given similar protection to that of full-timers. However, to qualify for these rights you must have been two years continuously with the same employer. If you work between

eight and 16 hours a week, this qualifying period is increased to five years.

These rights cover appeal against unfair dismissal and the right to redundancy pay. You are entitled to an itemised pay statement, and a written statement of the terms and conditions of your job within 13 weeks of starting. You are also in a strong position if your employer tries unilaterally to change your employment conditions.

Finally, make sure that your entitlement to paid holiday leave is pro rata to that of full-timers. If you check carefully, your rights and benefits as a part-timer could be quite respectable.

But your level of pay could be relatively low and it is important to find out if you are eligible for help from the social security system.

The main source of this is family income supplement (FIS), which is payable to people with children who work for at least 30 hours a week, or 24 hours for single parents (which

can still qualify as part-time work). For more details, see DBSS leaflet FIS.1.

FIS is being replaced in April by a new scheme called Family Credit, which is payable to a parent who works at least 24 hours a week. This scheme ostensibly is more generous than FIS but entitlements to free school meals will end.

The other key source of help is housing benefit, which basically is help with rent and rates. Contact the local authority's housing benefit department for details.

Part-Timers Under Pressure, by Jennifer Hurstfield, October 1987. Low Pay Unit, 9 Upper Berkeley St, London W1, inclusive price £3.00.



YOU DON'T HAVE TO WEAR A UNIFORM TO INVEST IN GILTS.

Contrary to popular belief, Government stocks - or Gilts - are not the exclusive property of sophisticated people with large investments who telephone their stockbrokers twice a day.

In fact the average holding of all the people who have invested in Gilts through the National Savings Stock Register - the NSSR - is around £2,000.

You can purchase Gilts through the NSSR simply by filling in a form you get at your post office. What's more, the NSSR charges only a very modest commission for buying and selling, and the interest you earn, though taxable, is paid without deduction of tax.

So what is the special attraction of Gilts? Well, Gilts are issued by the Government and the

Government guarantees both the interest payments, normally paid twice yearly, and repayment of the capital value at maturity.

For fixed-interest Gilts the biggest benefit is that you know exactly what income you will receive - and it is unaffected by interest rate changes elsewhere.

And for some Gilts, called index-linked, the rate of interest and the capital value at maturity are adjusted by reference to changes in the UK-Retail Prices Index during the life of each stock, as a protection against inflation.

What about safety? Like shares, Gilts can go up and down in price, but unlike shares most Gilts have a maturity date

when they will be repaid at their full face value.

If you buy Gilts at a price below the face value and hold until maturity, you will make a tax-free capital gain.

Or you can sell whenever it suits you - if the price has gone down since you bought, you make a loss. But if the price has gone up you make a tax-free profit.

If you have a lump sum to invest and you are looking for a regular fixed income - with the chance of a tax-free capital gain - then you should seriously consider investing in Gilts through the NSSR.

Just post off the coupon and we'll send you full details. You don't have to be something in the city to invest in Gilts.

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Please send me the Supplementary Memorandum for the Jersey Gilt Fund Limited (the terms of which are available on request) and the Fund brochure. I am applying for shares in the Fund. My application will be completed if:

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Date: _____

FT 202

Brokers who take too long

OVER RECENT months, many readers have complained about brokers taking excessive periods to pay over money and, in particular, share certificates, due to clients. This letter is typical:

"Last March, I arranged to purchase some brewery company shares and, on receipt of the contract note, paid for them shortly afterwards. Since then I have received nothing although, in the intervening period, dividend payments have become due and a three-for-one share scrip issue was made.

"I have written direct to the brokers - members of the Stock Exchange - and telephoned their local agents on several occasions seeking my entitlements, but have received no response.

"As things stand, I can see no alternative but to register a formal complaint. Unfortunately, I do not know how to do this and would be grateful for your help.

The London Stock Exchange has not proved particularly helpful in dealing with such problems. According to the exchange, its surveillance department is concerned only with "genuine client complaints" against member companies who are alleged to have failed to carry out their duties properly.

It would seem merely to arbitrate between a client and the broker member in any dispute over funds being withheld. However, the delivery of share certificates is a matter initially for the registrars of the company concerned. There is a list of registrars for individual quoted companies in the Stock Exchange Official Year Book, which can be checked at your local reference library.

But you have a case for complaint to the exchange only if you can prove your broker received the certificates from the registrar and failed to pass them on - and then only if the broker is a member.

The exchange has a public information department which answers general queries and

supplies explanatory leaflets and lists of brokers on request. It also has a special wider share ownership section dealing with specific queries from investors about how it operates and latest developments.

This includes an investors' club (annual subscription £15) which publishes a quarterly newsletter and covers specific topics such as taking up rights issues and the procedure for clients making complaints.

Investment dilemma

I write on behalf of a friend aged 87. She has £18,000 to invest and would like to put it in a long-term account in a building society so that she can obtain the maximum interest upon which to live. Her only income would be from this plus her old age pension.

At present she gets a £22 per week housing benefit contribution towards the amount which she pays for living in an Abbeyfield home. What will happen at the beginning of the new financial year (when those with incomes of over £6,000 have housing benefit discontinued) if her money is fastened in a withdrawal-at-term or on-death account? She will be unable to pay the required amount to the Abbeyfield Society from her income.

She has also considered giving the money to her three grandchildren before she invests her money, and also keeping same in a current bank account for holidays etc. What advice would be considered reasonable (from the point of view of the DHBSS) for her to use for these purposes?

First, we should point out that the effect of the reduced rate tax system on building society interest and dividend

payments is to make the net yield from building society investments unattractive to people in your friend's position - to the extent, at least, of the excess of her potential personal tax reliefs over her taxable pension for each year.

Not all building society advertisements make the tax disadvantages sufficiently clear to prospective investors with unused tax reliefs available, but doubtless the regulations covering building society (and bank etc.) advertisements will be tightened up in due course.

We have expressed broadly similar criticisms in the advertising by the National Savings Bank etc., which tends to overstate the tax advantages conferred by the Chancellor in 1987 when he exempted National Savings accounts etc. from composite-rate tax. (The composite-rate and reduced-rate tax systems are fairly similar to each other, but there are some significant differences).

Delay on caveat

A friend has died owing me some £2,000 covered by an OIL. The executor of his will is dead also and his daughter, the main beneficiary, has applied for a grant of administration. This has been blocked by a caveat entered by a very much smaller beneficiary.

Although the daughter has agreed that I should and will be repaid, she does not appear to be doing much to remove the caveat. Can I do anything legally to quicken the process of having

the caveat removed? (that is, over and above what the daughter could do).

The daughter is not limited to any particular time to warn off the caveat, but the caveat itself will expire after six months unless it is renewed on an application to the probate registrar. The daughter might therefore simply be waiting for the caveat to expire. There is nothing you can do to speed things up if you are not willing personally to apply for letters of administration, as a creditor.

Absentee executor

Are there any pitfalls or advantages in being a foreign resident in a situation where I am the sole legatee and also the sole executor of a will?

Could you also recommend to me a clear, simple and up-to-date book on applying for probate and proving the will. Is it possible to get a loan from a bank during the transaction or would the fact that I am resident abroad deter me from securing one? I live within the EC.

Foreign residence should present no major problem but you would probably need to have attorney administrators appointed in order that there should be someone within the jurisdiction of the English courts who actually performs the functions of the personal representative here. There is a booklet on probate in the Oyez stationery series.

CGT rules 'unfair'

In 1984 I made a very substantial investment with an investment company, signing a management agreement authorising it to invest in stocks, shares, options etc.



No legal responsibility can be accepted by the Financial Times for the accuracy of these columns. All inquiries will be answered by post as soon as possible.

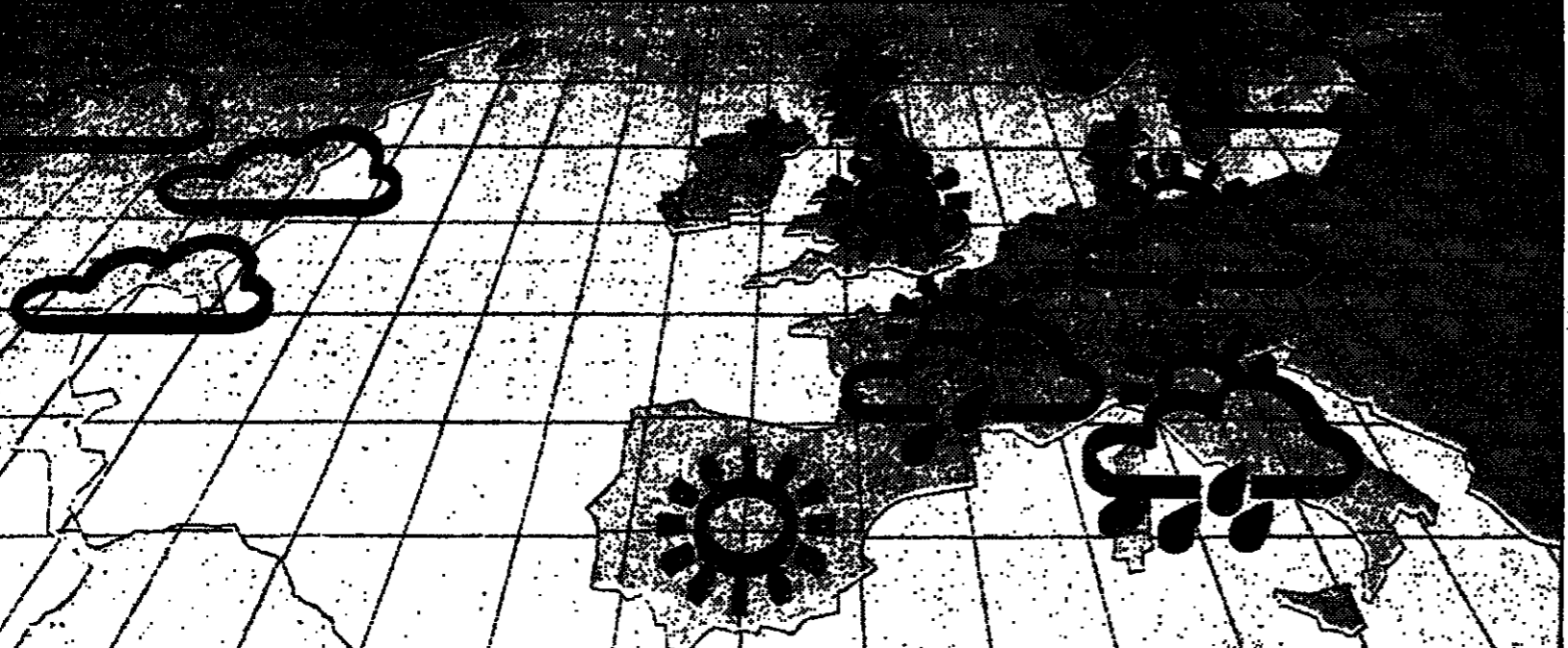
These were to be registered in its nominee company's name and all transactions were to be at its discretion. The whole thing was a fraud. No investments were made, the company was wound up in 1986, and two of the sponsors are serving jail sentences.

Having lost a large amount of money, I applied for the tax to be treated as an allowable loss under CGT. I am now informed as follows: "To claim capital loss... you must have an asset in your particular situation you were merely a client handing over funds to be managed on your behalf. In the circumstances you have the status of a creditor, and neither an allowable loss nor a chargeable gain can arise on the debt in your hands."

This ruling seems to be most unfair and unreasonable. Money handed over in good faith for investment is still capital and this has been lost irrevocably. If it had been invested in the shares of a company which went into liquidation, the loss would be allowed. Why does the law differentiate between two forms of loss? A loss of capital is still a loss of capital, however it is incurred. The irony is that I am being charged tax on excess gains made on other more fruitful investments. Do you consider that there are any grounds for appeal?

No; we are sorry to say that Parliament has denied taxpayers CGT relief for bad debts (except for foreign currency balances with banks which fall and certain loans to traders) in section 134(1) of the Capital Gains Tax Act 1979, in conjunction with section 29(2). The rules of CGT are arbitrary and make no pretence to equity, unfortunately.

When market conditions change, so should your investment strategy



Duménil Income Strategy Fund

INTRODUCTION
A new unit trust with the aim of producing high income and capital returns from investment in all the major equity and bond markets.

Too many 'high income' funds concentrate on potential capital growth with a slightly higher than average income yield, which is reasonable in good market conditions, but in an uncertain environment the result can be an uncompetitive level of income, together with an unnecessary level of risk.

Duménil Income Strategy Fund intends to combine much higher income returns with reduced capital risk, whilst retaining prospects for long term growth.

HIGH RETURNS
Whilst we shall be looking to fixed interest forms of investment to secure a high level of immediate income, at an estimated 8% gross (after deducting annual management fees) this does not

mean that growth prospects are being ignored. Inflation levels in several European countries are falling, which is highly beneficial for bond investment. Moreover the fund will include equities selected for their strong dividend policy. Thus there are good prospects of real income and capital returns being generated.

LOW CHARGES
The Fund will have an exceptionally low initial charge of 4% and an annual management fee of 1% (+ VAT). The latter reflects the ease and low cost of dealing in the investments which comprise the portfolio.

QUALITY
Initially the portfolio will concentrate on Europe and the UK and will comprise high quality fixed interest investments, convertible securities and shares in blue chip companies which are sheltered from

exposure to the US Dollar and whose profit forecasts for 1988 remain intact.

DEFENSIVE
At all times, the managers shall look to protect a significant proportion of the capital value of the Fund through the use of fixed interest and convertible securities and it is envisaged that prospects for future capital growth will be catered for by selective investment in high quality 'blue chip' shares.

FIXED PRICE OFFER
Units are on offer at the fixed price of 100p until 11th March 1988 only, and the minimum initial investment is £1,000. There is a 2½% switching discount available to unitholders.

To invest, please contact your independent financial adviser or send the coupon, with your cheque, without delay. It should, of course, be remembered that the price of units, and the income from them, may go down as well as up and therefore your investment should be looked upon as long term.

DUMÉNIL THE EUROPEAN SPECIALIST

DUMÉNIL Unit Trust Management Limited, 54 St. James's Street, London SW1A 1JT. Telephone: 01-499 6383. A Member of the Unit Trust Association

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CHESS

ANATOLY KARPOV may no longer be world champion, but excluding the presence of Gary Kasparov he remains very much the man to beat in any international tournament. Karpov's phenomenal run of first class prizes during his decade as champion was clearly superior to former champions like Alekhine and Capablanca in their best years, and it was a rare event for him even to lose a game.

Why did Karpov's performance not receive still greater acclaim? There was a suspicion that the USSR Chess Federation, wanting to maintain the aura of invincibility of its champion, had appointed a trusty accompanist to the champion abroad who could be relied on to help with analysis, would at best draw his individual game, and at worst might drop the full point if Anatoly was under pressure.

There was an occasion where Smyslov had a drawn ending against Karpov near the end of the USSR championship in Leningrad. Karpov was on the board for a while, and returned to make weak eventually losing moves. Boris Spassky claimed that when he won ahead of Karpov at Leningrad in Spain while still a Soviet citizen he was approached by agents from Moscow and warned as to his conduct: Spassky's reaction was to make a full break and become a French citizen.

Yet the fact is that Karpov many times overcame strong fields of ambitious rivals, for example at London GIC 1984; and he took a commanding lead when handicapped by a poor start. That was the theme of the ex-champion's latest success, at Wijk aan Zee a few weeks ago. It was his first event after the disappointment of Seville, where he lost the world title to Kasparov in the final game, and as early as the second round he lost badly with the white pieces.

White: A. Karpov (USSR). Black: P. Nikolic (Yugoslavia). English Opening (Wijk aan Zee 1988).

1 P-QB4, P-K4; 2 N-QB3, N-QB3; 3 P-KN3, P-KN3; 4 B-N2, B-N2; 5 E-N1, P-QB4; 6 P-QB3, P-B4.

In a similar position as Black in Seville, Karpov himself chose the plan of P-Q3, B-B4 and Q-Q2.

7 P-Q3.

8 P-N3, B-B5; 9 P-Q4, P-P3; 10 P-N5, N-QB4; 11 P-K3 followed by KN-K2 and P-B4. Later on, too, at moves 11 and 14, Karpov avoids P-QN4 when it looks natural and best. In consequence, Black has a better position in the next few moves to build a strong central position.

12 N-KB3; 13 P-K3, O-O; 14 KN-K2, N-K3; 15 O-O, P-B3; 16 P-Q4, P-Q4; 17 P-Q4, P-Q4; 18 P-Q4, P-Q4; 19 P-Q4, P-Q4; 20 P-Q4, P-Q4; 21 P-Q4, P-Q4; 22 P-Q4, P-Q4; 23 P-Q4, P-Q4; 24 P-Q4, P-Q4; 25 P-Q4, P-Q4; 26 P-Q4, P-Q4; 27 P-Q4, P-Q4; 28 P-Q4, P-Q4; 29 P-Q4, P-Q4; 30 P-Q4, P-Q4; 31 P-Q4, P-Q4; 32 P-Q4, P-Q4; 33 P-Q4, P-Q4; 34 P-Q4, P-Q4; 35 P-Q4, P-Q4; 36 P-Q4, P-Q4; 37 P-Q4, P-Q4; 38 P-Q4, P-Q4; 39 P-Q4, P-Q4; 40 P-Q4, P-Q4; 41 P-Q4, P-Q4; 42 P-Q4, P-Q4; 43 P-Q4, P-Q4; 44 P-Q4, P-Q4; 45 P-Q4, P-Q4; 46 P-Q4, P-Q4; 47 P-Q4, P-Q4; 48 P-Q4, P-Q4; 49 P-Q4, P-Q4; 50 P-Q4, P-Q4; 51 P-Q4, P-Q4; 52 P-Q4, P-Q4; 53 P-Q4, P-Q4; 54 P-Q4, P-Q4; 55 P-Q4, P-Q4; 56 P-Q4, P-Q4; 57 P-Q4, P-Q4; 58 P-Q4, P-Q4; 59 P-Q4, P-Q4; 60 P-Q4, P-Q4; 61 P-Q4, P-Q4; 62 P-Q4, P-Q4; 63 P-Q4, P-Q4; 64 P-Q4, P-Q4; 65 P-Q4, P-Q4; 66 P-Q4, P-Q4; 67 P-Q4, P-Q4; 68 P-Q4, P-Q4; 69 P-Q4, P-Q4; 70 P-Q4, P-Q4; 71 P-Q4, P-Q4; 72 P-Q4, P-Q4; 73 P-Q4, P-Q4; 74 P-Q4, P-Q4; 75 P-Q4, P-Q4; 76 P-Q4, P-Q4; 77 P-Q4, P-Q4; 78 P-Q4, P-Q4; 79 P-Q4, P-Q4; 80 P-Q4, P-Q4; 81 P-Q4, P-Q4; 82 P-Q4, P-Q4; 83 P-Q4, P-Q4; 84 P-Q4, P-Q4; 85 P-Q4, P-Q4; 86 P-Q4, P-Q4; 87 P-Q4, P-Q4; 88 P-Q4, P-Q4; 89 P-Q4, P-Q4; 90 P-Q4, P-Q4; 91 P-Q4, P-Q4; 92 P-Q4, P-Q4; 93 P-Q4, P-Q4; 94 P-Q4, P-Q4; 95 P-Q4, P-Q4; 96 P-Q4, P-Q4; 97 P-Q4, P-Q4; 98 P-Q4, P-Q4; 99 P-Q4, P-Q4; 100 P-Q4, P-Q4.

BRIDGE

South dealt with neither side vulnerable and opened with one no trump, 12-14 points, and North raised to three. West led the six of spades and East produced the 10. What line of play do you suggest?

If the declarer can make five diamond tricks, he will fulfil his contract. Aunt Matilda plays the ace of diamonds and follows with the two, West produces the queen and nine and a switch to hearts will beat the contract. There is only one hope. At trick two the declarer should lay down the king of diamonds, which could cause spades to either defender holding the ace.

As the cards lie, it is difficult for East to know whether to win or duck. If he ducks, South switches at once to clubs and wraps up nine tricks. Incidentally, I brought off this coup at rubber bridge last month.

Now for another no trump contract:

W: ♠ 9 7 5 2, ♥ 7 4, ♦ K J 4, ♣ K Q 6
E: ♠ A Q 8 6 3, ♥ 10, ♦ A 10 8 5 2, ♣ A J

South deals at a love score and opens the bidding with two clubs. North replies with two diamonds and South rebids two no trumps, showing 22-24 balanced points. This bid is not forcing but North says three no trumps. This is a pure gamble on the value of the diamond suit - I would certainly pass. West leads the three of hearts and East produces the knave. How should South play?

He should win with his king. There is no point in holding up - he knows that hearts must be divided 5-4. If he plays on clubs

Leonard Barden

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TRAVEL

Roger Beard cruises along the Rhine River of many faces

THERE ARE rivers - the Rhone, the Po, the Gironde and even the Thames, for example - which come as no surprise when you first see them. They take on the shape you expected and do not change. Not so the Rhine. Europe's storybook river, for what you expect from Europe's central waterway is distorted by legend and 19th century sentimentality - the Lorelei, gingerbread castles and Wagnerian myth. That is not what you get, which might come as a disappointment to the Wagnerites but as a considerable relief to the rest of us.

Whether by road, rail or (preferably) by boat, it is the continuous changes of scenery and scale, together with the commercial traffic that pushes its way the 900 kilometres from the North Sea to Basle, which make a trip down this river so intriguing.

It was the Romans who first saw the commercial potential of the river; today it is the Dutch, working out of Rotterdam with a fleet of nearly 6,000 vessels, half the total of the five Rhine nations. As to passenger traffic, that has been running since 1827, with the German KD line carrying on an unbroken tradition started by the Prussians and continued today with modern cruise ships of extraordinary size and luxury.

A Rhine cruise has a distinct

advantage over the sea-going variety. You moor up daily, and can thus escape your fellow passengers for the gemutlichkeit delights of the shore. In between times you laze and eat, and of course drink.

The stretch between Rudesheim and the sea, a two-day run, takes in much of the wine country, a score of castles, the Ruhr, and the flatlands of the lower Rhine. It presents considerable contrasts.

Rudesheim, where the railway runs between the river and the road, is a small wine town, overdrilled rather than picturesque, and a mandatory stop on the lower Rhine run. In a country where they drink their wine like beer, it is a town for the strong-headed.

It has, though, one feature which should not be missed. Siegfried's Mechanical Musical Box is one of the best collections of mechanical music devices in Europe - right up to a Beethoven concert grand piano. It also has an expert and eccentric young curator.

It is the stretch above Rudesheim that the Germans call the romantic Rhine, dominated by castles - in ruins since the Thirty Years War and their final destruction in the 17th century - for over 40 miles. The Victorians loved them, and anything you see here which is more than a pile of rock will

have been restored in the 19th century.

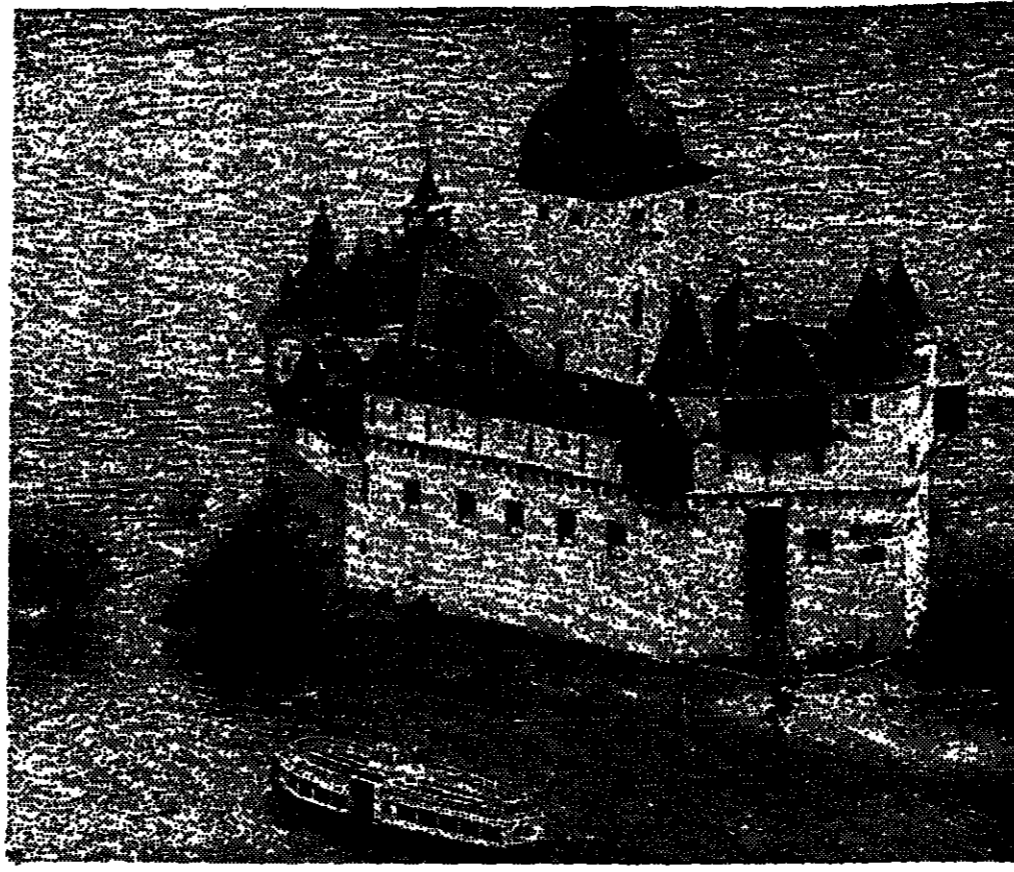
There are 50 castles between Mainz and Koblenz, all belonging to that period in history when the Rhine valley was ruled by a combination of force and anarchy. There is also the Lorelei rock, which can be seen and once seen to be forgotten.

The song is prettier and more memorable; the anthem of the Rheingau, played on a Rudesheim hurdy gurdy or over the tannoy on board it remains the most potent memory of a Rhine cruise, which is more than can be said for the vines, which grow for miles along both banks. A vine is a vine is a vine until it is transformed into wine - something the Germans do in quantity but with little of the French flair or distinction.

Past the vineyards, you are heading into industrial Germany: the part of the Rhine written into another story book. Two cities stand out, for two different reasons.

Cologne's Federal cathedral, loudly escaped the World War II bombing, and must stand high on any European visiting list. The view from the top of the South tower (500 steps, no lift) is both vertiginous and spectacular, and what remains of the old town, with its busy markets, well repays a visit.

Downstream, where the KD



There's more to the Rhine than gingerbread castles and Lorelei.

ships moor overnight, Düsseldorf is a revelation. On a Saturday night the whole population is out on the town, crowding the streets, bars and restaurants of what has been called the longest bar counter in Europe. It is a city of tremendous verve and style, which for sheer fun makes London look like Eastbourne.

The ships cast off from Düsseldorf early in the morning if you can raise yourself, get out of bed as soon as you feel the ship move and go to your cabin window. As the dawn comes up the longest bar counter in Europe. It is a city of tremendous verve and style, which for sheer fun makes London look like Eastbourne.

might it has far greater historical significance than all the Rheingau castles.

• KD German Rhine Line operates a range of cruises lasting from two to 10 days, with return transport by air, road or rail. Further information from Rhine Cruise Agency, 80/81 St. Martin's Lane, London WC2 4AA.

Turkey's tops

BRIEFING

Annalena McAfee

A NEW survey has confirmed tour operators' statements about Turkey's sudden increase in popularity as a holiday destination. An OECD survey of 26 countries in Europe, North America, Australasia and Japan showed that between 1981 and 1984, Turkey's earnings from tourism increased by 215 per cent, well above second-place Japan which recorded a growth of 95 per cent over the same period.

Nearer home, Scotland came joint sixth in the table with Portugal - both recording a 52 per cent increase in income from tourism over the five-year period. A spokesman for the Scottish Tourist Board said: "I'd like to think that this means we've moved into the Premier League. But to stay there we've now got to ensure that our facilities are world-class."

running amidst holidays to describe the other, idealized, variety of vacation. Peng Travel's Naturalist Holidays claims the interest in garbless holidays has increased dramatically. Casual family photographs, with a faint flavour of Health and Efficiency, enhance the company's brochure. The programme offers about 20 resorts, from France to Florida. While some clients new to naturism may experience additional worry about sunburn they are said to welcome the absence of the usual headaches over packing.

Further details from Peng Travel, 86 Station Road, Gidea Park, Essex RM2 5DB, tel 04024-71832.



Yellow Book, Gardens of England & Wales, has just been published.

CHILDREN should be neither seen nor heard, insists one York hotelier. Lt Commander Peter Milner, owner of Whitwell Hall Country House Hotel, has banned guests under the age of 18 because he believes "the standard of behaviour of young people today is so abysmally low that their very presence causes an embarrassment of others."

Parents will be asked to leave their children behind if they wish to book into the 20 bedrooms, £98.00 a night hotel. Dogs, however, will be welcome. "They are much less trouble than children and they don't usually answer back," says Commander Milner.

A TRIP to Selfield nuclear fuel reprocessing plant is featured in a weekend break offered by the Windermere-based company Mountain Goat Holidays. The two-night programme includes a cruise on Lake Windermere and a trip to the Eskdale valley as well as a ride on the Ravenglass and Eskdale Railway to Selfield's award-winning 2.5m visitor centre. The cost, including fares, starts from £94 per person. Further details from Mountain Goat Holidays, Victoria Street, Windermere, tel 09662-8161.

"TEKILLE tourism" is the latest phrase in tour operators' jargon. It is the term used by companies

SECLUDED Lady Elliot Island on the Barrier Reef is featured in our 8-day package from Brisbane now offered by the UK agent Rickards Travel. The cost, Brisbane to Brisbane, is £590 per person. Details from Rickards Travel, 100 Oxford Street, Wellington, Northants, tel 0933-25910.

THE NEW edition of Les Routiers Good Value Guide to Britain was launched this week. The 1988 edition of the Routier of the Year food award was the Vieux Auberge in Battle, East Sussex. The accommodation prize was won by Cockle Warren in East Haying, Hampshire and, news of the year award went to Ty Gwynn Hotel, Betws-y-Coed.

Aztec answer to Acapulco

THE FINEST natural bay in Mexico is nearly always said to be Acapulco, but for my money it is nestled 150 miles further north up the Pacific coast in Zihuatanejo, which also holds the classic resort hotel in the country, the Villa del Sol.

The Villa del Sol is in fact widely regarded as one of a handful of really good Mexican hotels. Built, run, and owned by Helmut Leins, a Munich engineer, it is really a tropical inn-on-the-beach.

It is 17 rooms made of sand-based adobe (a matte, yet bright, texture from a Leins-invented process), veiled in coconut trees and ringed round a palm-fringed palapa roof which covers the open-air bar and restaurant.

The rooms themselves are split-level with three distinct spaces, each made out of local woods, tiles and textiles: a canopied and mosquito-netted bed on one level, a lounge lined with sofas and a hammock-draped terrace or balcony.

It is a favourite with travel-writers who wax lyrical about

its "barefoot sophistication" and "gracious hospitality"; I would describe it as soothing, its reputation substantiated by the difficulty of getting into it, except in the off-season, Europe's summer.

There is no high rise disfiguring the magnificent bay, which as well as three beaches (La Ropa, where the Villa del Sol is, the most attractive and comfortable to swim off) houses a port village which has traditionally lived off fishing and smuggling, and from which the Spaniards first set out for the Philippines in 1527.

The one conventional hotel is built into the hillside, topped on the skyline just above it by Mexico's most famous folly, a copy of the Parthenon built by now gaoler former Mexico City police chief Arturo Durazo as his beach pad.

Once cleansed of its kitsch,

this monument to corruption will become a museum for the contents of a huge new pre-Columbian site unearthed further down the coast (legend, after all, has it that Cuauhtemoc, the last Aztec emperor, used to summer at Las Gatas beach at the mouth of the bay).

Mr Leins was quite clear when he first saw the bay that this was where he wanted to live. He sold his engineering company in Munich and, with the proceeds, laid the first brick in April 1978. By that summer he was literally putting the roof on the first room, when he got his first customer, a psychiatrist from Houston, who walked in off the beach and decided that this was where he wanted to stay, too.

He stayed a week, fed by the brick-layers' wives and with a sheet nailed up as a door, and 10 days later a second couple



A Touch of Class

This week: the Villa del Sol, Mexico

Leins' energy and almost Prussian attention to detail. His kitchen is probably the best on the coast for consistent high quality. He keeps two trained and experienced chefs, one Mexican and one European. They have to teach each other, buy "only first class ingredients at whatever price," Leins says, and prepare individual dishes.

This sort of fussiness does not sit easily with the local people: this is the state of Guerrero, whose inhabitants are famed throughout the country for being perversely, both tough and easy-going. "To get to 80 per cent of what you want you have to try 200 per cent," Mr Leins says earnestly, which is tough for him but a fair tropical trade-off for the lounging consumer.

The Villa del Sol is expensive by Mexican standards but very cheap in comparison with its

rightful competitors in the Caribbean. Its brochure says that children under 14 are not accepted in high season, but in practice they are.

Golfers have a Robert Trent Jones-designed 18-hole course in Ixtapa (on one side of which, shielded from the high-rise hotels by palm-trees, Mr Leins has built three villas, with their own cook, suitable for parties or families).

The hotel itself is adding more rooms, a second tennis court and a health club. Mr Leins has also won a satisfying victory over Mexico's often obtuse bureaucracy, which until last year classified his inn as a two-star hotel because it had neither lifts nor carpets. The tourism ministry has now designated the Villa del Sol as the model for planning regulations in this priceless bay.

• Hotel Villa del Sol, Playa La Ropa, PO Box 84, Zihuatanejo, Guerrero 40860, Mexico. Tel: (743) 43299/43299; Telex: 16224 HVIDS-ME.

David Gardner

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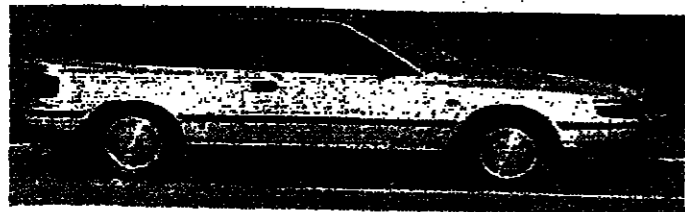
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MOTURING · GARDENING



Toyota's Celica GT-Four sporting coupe, with air conditioning and ABS brakes as well as a 16-valve engine and permanently engaged four-wheel drive.

Cars to lower blood pressure

A TRIO of new models for the British market illustrates two motoring truths. First, that powerful, turbocharged engines and front wheel drives are uneasy partners, especially when roads are wet. Second, that not every buyer of a fast and sporting car thinks nothing matters more than razor-sharp handling and theoretically high (but in the real world quite unusable) maximum speeds.

Lancia's Delta HF Integrale and the Toyota Celica GT-Four follow the trend established by the Audi Quattro coupe, which instantly made contemporary supercars look out of date, overpriced or both when introduced eight years ago at Geneva Show.

The Quattro's secret was, of course, its permanently engaged four-wheel drive. This allowed owners to give its 200 turbocharged horses their heads on surfaces which would have reduced equally muscular rivals to wheel-spinning impotence.

Now that it costs £30,199, the Quattro is beyond the reach of many potential buyers - and even more company car users - who covet its sure-footed safety. Fortunately for them, it is no longer unique, either, which is where the Lancia Integrale and Toyota GT-Four come in.

At £15,485, the Integrale is little more than half the price of a Quattro. But its 2-litre, 4-cylinder engine, turbocharged, intercooled and with twin balance shafts, puts out its 155 horsepower with close to the Audi's 5-cylinder smoothness. Its all-wheel drive transmission is similar to the Quattro's and its behaviour when driven briskly on low grip surfaces just as reassuring.

The Integrale, though based on Lancia's 1987 World Rally Championship-winning Delta HF 4WD, is a practical and well equipped 5-door hatchback. Power steering, electric front windows, sliding steel sunroof, central locking and wide alloy wheels are standard.

Toyota's Celica GT-Four will not be in British showrooms until March 23 and will cost £20,495. Externally, it looks little different from the front-wheel driven Celica GT and has a similar 16 valve, 4-cylinder engine developing 147 horsepower. The only version to be sold here has a catalytic converter. This reduces exhaust emissions to the levels required only in Germany and Switzerland at present and makes lead-free petrol essential.

There are still fewer than 600 lead-free fuel pumps in the whole of Britain so Toyota is throwing in a 5-litre spare fuel can. Even so, owners heading for remote parts like the Highlands of Scotland will have to plan their journeys with some care.

Most of our lead-free pumps are on motorway service areas and busy main roads.

The GT-Four, also turbocharged and intercooled, is a lavishly equipped two-door coupe. Apart from the environmentally desirable (but legally unnecessary) exhaust emission system, it has air conditioning and ABS brakes. They, and the ever-rising yen, help to explain why it costs £5,000 more than the Lancia Integrale.

I have not yet driven the GT-Four. But, if all-wheel drive gives it as big an edge over the normal - and very desirable - Celica GT as seems likely, it promises to be an outstanding car. Finally, the Mazda RX 7. This Wankel rotary-engined sports coupe is as refined as it is rapid which makes it a potential buy for high mileage, but not necessarily sporting, motorists.

In its latest version it has speed-sensing power-assisted steering, cruise control, central locking and an even better Clarion stereo radio/cassette system all for £16,490. Just the car, really, to cut journey times and lower blood pressure on long business trips.

Stuart Marshall

HOW DO you restore a messy old garden? Quite a few of you write for advice or encouragement on this topic. There seem to be a great many of these "old gardens" about the place. They come in all sizes; are infested with weeds; contain one or two things worth saving, but they are victims of misrule and neglect.

These "old gardens" do not feature in garden histories or social surveys of gardening as the great English pursuit. Of course, they all belong to people who have been reading the wrong newspaper for the past 100 years, but while you and I have been growing better lilies, many owners have been doing nothing, passing the problem to their property. Former owners are as much of a garden pest as bindweed.

Restoration poses two types of problem: the practical plan of action and the aesthetic problem of what should be restored. This week, I will sketch a broad plan of attack. The first move is to establish a new nursery-bed on clean soil, in which the former owners have never invested. You will find the best soil and the cleanest spot underneath turf which you can lift off in slices or dig deeply into this new bed's subsoil. You may have to cut this clean bed from the corner of a lawn. Otherwise, I recommend the former vegetable garden, because semi-gardeners tend to spend what energy or tired labour they have on this one small oasis of cleanliness.

Once chosen, the area needs close surveillance during the first summer to see that no beastly perennial weeds have

Robin Lane-Fox on how to restore an English country wilderness

Legacy of the garden pests

crept back in. Ideally, I plant very few things until the second summer when it has been certified as a clean nursery-cum-hospital.

During the first season, it pays not to hurry. Try to think of the perennials, rather than the romantic cowslips, primroses or lilies which you feel you must have. If you can see at once that a hedge or a wall shrub is needed in some unpopulated area, you should press on and plant it immediately. It is a mistake to begin by fiddling around with individual plants or bulbs of varying consequence. You do not want to muddle old and new until you see just how frightful most of the old things are.

Instead of planting, I recommend that you begin by tagging. It is very fashionable, but gardeners have been doing it for years. Put tags on the offenders and old lags which have come into your possession by wrapping a metal label round their top growth so that you will know what to banish in the following winter. You may wish to give an immediate pruning to spotted laurels, Leylandii Cypress and those ribbed Viburnum rhytidophyllums which turn up at airports and filling stations: if so, cut them immediately down to ground level and attack the root. Otherwise, wait and watch.



In the second winter, clearing and salvaging begin in earnest. Here, people conserve priorities. They try to tag out the weeds when they ought to be taking out the few worthwhile plants. Remove anything herbaceous, alpine or moderately shrubby which you can tolerate and put it under observation in your clean nursery-hospital. If in doubt, transfer everything which has not been tagged.

On no account, run a rotavator down them. You will chop up the weeds, scatter them around and multiply them. Instead, pull out whatever you can, enjoying the extraction of mustard-yellow Achillea and

mildewed Michaelmas Daisies. Forsythia is a tougher customer but you can saw, hack and cause havoc with a clear conscience. Once you have cleared as much as you can, it is a mistake to dig the ground. There is nothing virtuous about digging; instead, spray it with poison.

In about a fortnight's time, on present weather, you can start this unpredictable task. Use Tumbleweed or Roundup on the emergent growth of anything which you wish to destroy. These poisons are not so good at killing nettles immediately (you can use any special nettle poison) and they need two or three sprays to knock a hole in

ground elder. They do not poison the soil.

During the second summer, you will not clear the place out, especially if the rain is as heavy as in 1987, when weed-killers were often washed away. Meanwhile, all your salvage will be growing in the hospital-bed and bits of it will probably be sprouting ground elder. If so, throw them out at once.

During this season you can start to buy and grow new plants. Keen gardeners need only buy one or two of each new variety, because they can multiply them if they turn out to be as good as the books say. A gentle start in a nursery-bed helps plants adjust to the transition from a light, modern potting-compost. You lose fewer plants and you are quicker to spot weeds. I am watching a horrendous new Campanula called Takesimana which has run abominably in its first six months on my stony soil and threatens to become the weed of the 1990s. Some nurseries are selling it for £3.50 a piece.

In the second winter, you can dig over the area which you have poisoned, throw out the remaining roots and hope to be nearer to victory. In spring, you can mulch it quite heavily with compost, leaf mould, manure and eventually, with old grass-mowings. Ideally, the old bor-

ders should still remain blank that you can cope with remaining invaders and pockets of bothersome roots. You are not losing time by delaying, because your strategy has two prongs. Meanwhile, your new buys and your salvage are multiplying healthily in the nursery beds.

You can split them in the following autumn, your third, and save a huge plant bill as you start to recommission the garden. This planned three-year strategy makes life much cheaper. During the autumn and winter you move everything back at last into the old borders, but you can mass your plants much more closely because you have so many divisions and layers from the original stock plants.

Next year, they will knit together much more quickly and help to exclude new weeds, although you should continue to mulch very heavily between them. You will reach the fourth year far ahead of the impetuous planter who had begun by forking over the weeds and planting much too quickly with five of this or that variety from the garden-centre.

Whatever else, I hope this will help you not to feel ashamed or impatient if you have nothing much to show from your restoration until 1991. Restorers are strongly advised to move slowly to a coordinated plan because they gain so much time and money in the longer run. Perhaps, on the way, this advice may help to shame the potential neglecters: let those gardens slip, and you are passing on an infested legacy which will take four long years for your heirs or purchasers to begin to put to rights.

The fascination of fastigiates

GARDENERS call them fastigiates - the trees that grow narrowly erect instead of branching out in the normal way. They can be exceedingly beautiful, giving height without taking up much ground space and also attract attention because of their distinctive appearance.

In some areas they stamp their character on large areas of countryside - witness the long avenues of Lombardy poplars in France and Italy and the slim Italian cypresses in the Mediterranean region.

These are familiar trees, though maybe it is not so well known that there are variations of both, some superior to others. Italian cypresses in particular vary quite a lot from pencil-slim to quite horribly columnar and this is because many of them are raised from seed, a method of propagation that encourages variation but has the twin merits of being cheap and maintaining vigour.

In some places the cypress oak, a fastigiate form of the common oak, is used for making avenues and lining roads and

The fascination of fastigiates

raised from seed, with the result that there is considerable variation of habit, from a broad flame shape to a tall vase. The true cypress oak, first found in the late 18th century in a forest near Frankfurt, is of the flame-shape type, narrow at the base, broadening quite rapidly and then tapering away to a nearly pointed top. This shape can be guaranteed only by vegetative propagation and - presumably because this is slow and fairly expensive - true cypress oak has remained quite scarce despite its obvious attractions, yet I am fairly sure that, were it well displayed in garden centres, showing its ultimate size and shape, it would sell well.

This seems to be true of the Dawyck beech, a narrowly erect form of the common beech first found in the forests around Dawyck, near Peebles, in the Scottish lowlands and transplanted to the garden

The fascination of fastigiates

there well over a century ago. That original tree is now over 80 feet high but only eight feet in diameter, imagine how easily that could be accommodated in a garden of quite modest size.

Yet for a long time Dawyck beech remained a specialist's tree. What brought it to the notice of nurserymen and so to the public was the appearance of two colour variations, one with bronze purple leaves, known as Dawyck Purple, and recently a second variety with yellow leaves named Dawyck Gold. I bought a nice young plant of the latter recently for £33 which, considering that it is one of the newest of new trees, is not out of the way.

The Lombardy poplar is not a good garden tree because of its wide spreading roots and the great quantity of moisture it sucks from the soil. The Italian cypress is too tender to be recommended in Britain except in



the sunniest, mildest parts of the south west. No such shortcomings limit the usefulness of the cypress oaks or the Dawyck beeches and there are numerous other fastigiates trees that are also hardy and have reasonably compact root systems.

The one that has proved most popular is the Irish yew, or perhaps I should say the Irish

The fascination of fastigiates

yews, for though the name strictly applies only to one type of narrowly erect yew, there are others of similar habits which to most gardeners would seem to be Irish yews and some of which are even better garden plants. The original plants, just two of them, were found on a mountainside in County Fermanagh but one died, so all the genuine Irish yews today are descendants of that one survivor. It makes a number of erect stems which in time form a substantial column rather than a spire, but just how stout seems to depend on the climate.

The two most popular fastigiates trees are the Japanese flowering cherry, Amanogawa, and a juniper named Skyrocket. The cherry has pale pink flowers and is very attractive for two or three weeks in April, but is not sufficiently neat in shape to make a really good eyecatcher for the rest of the year. All

The fascination of fastigiates

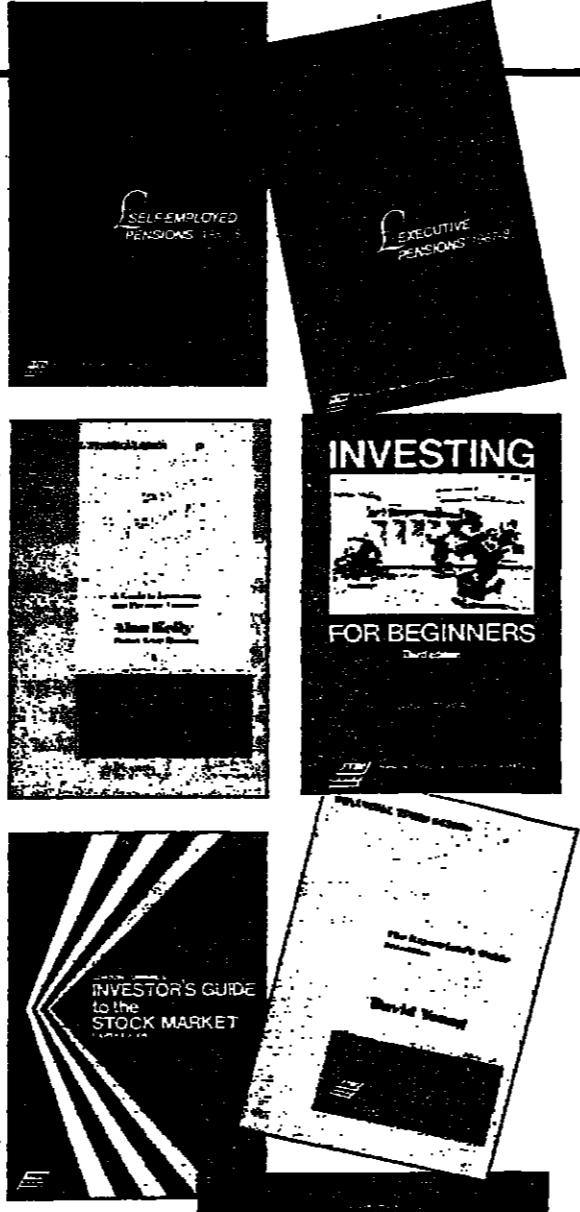
plants of Skyrocket make slender pointed spires, but some hold this shape well, whereas others become untidy with age and need occasional clipping.

Much more reliable in shape and at least equally attractive in colour is the Irish juniper, but there is a tendency to confuse this with the similar but less pointed Swedish juniper. If you really want something that is absolutely hardy and will come close in shape - but not in colour - to the Italian cypress then the true Irish juniper is the tree to choose.

There are numerous other fastigiates trees, including a range of erect forms of Lawson's cypress in various sizes and colours from light to dark green and grey. Some have rather thin upward growing branches which are easily weighed down by snow. One that escapes this is named Columnaris. Its branches are short and stiff and I have never seen them damaged by snow. The colour is dark green and the shape excellent.

Arthur Hellyer

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LANGUAGE COURSES

Michael Dixon looks at British attitudes to linguistic skills

How to talk foreign trade

"D'YOU SPEAK English?" said one of the two British managers to the cab driver who had just ended their long wait in the rain in Wuppertal. Barely waiting for an answer, the manager rapped out complicated directions for the journey to an out-of-town restaurant where the UK pair were already overdue for dinner with some West German customers.

The cab set off and for some minutes the only sound was the swish of the windscreen-wipers. Then the driver asked: "How many taxi drivers in London speak German?"

What makes the incident important is that it is precisely the reverse of unusual, says Mr Doug Embleton, senior linguist with ICI Chemicals and Polymers at Wilton, near Middlesbrough. It happened to a couple of his colleagues on a business trip not long ago, but something of the sort occurs continually wherever and whenever the notoriously monolingual British go abroad on a business trip.

The implications are considerable. Mr Embleton points out: "For a start, how do you think the cab driver felt about the bold assumption that he spoke English? And suppose the same assumption had been made about the German customers. What would they have thought, especially if the deal to be discussed had been a complex one?"

"Fortunately, there's now less danger than there once was that our company's people will give a bad impression in that way to overseas business contacts. For some years we've laid on in-house classes in foreign languages as part of a policy of encouraging all types of staff to learn to speak them. So while the UK in general is only just showing signs of waking up to

London Chamber of Commerce foreign language examinations

Year	Preliminary entries	Intermediate entries	Advanced entries	Total
1978	1,137	563	286	1,986
1979	1,061	475	151	1,687
1980	1,082	488	162	1,722
1981	990	614	141	1,745
1982	1,275	587	138	2,000
1983	1,213	646	149	2,008
1984	1,418	648	180	2,246
1985	1,452	611	182	2,245
1986	1,655	623	125	2,403
1987	2,001	803	125	2,929

Includes 207/143** entries at new threshold level

ONE INDICATION of increasing interest in learning foreign languages is provided by the table above. It summarises the entries over the past decade for the London Chamber of Commerce's examinations for people studying other nations' tongues for use in the course of their work.

While total entries have been rising since the drop between 1978 and 1979, the most pronounced has been in the intermediate level. A pass at that stage represents ability to use the language of increasing basic fluency.

An examination is taken at the end of the course to undertake routine negotiations with a co-operative contact from the country concerned. The stage of proficiency has not been reached by all of the higher number of candidates listed in the intermediate column for the past two years. The threshold level - which accounts for the difference between the 1986-87 figures and those of the few years before - is nearer to the preliminary grade than the full intermediate.

Advanced-level passes represent ability to cope fairly easily with a wide range of business and conversational topics. It seems that few people who begin the task of learning stick with it to the end.

Of the total 1987 entries, 1,389 were in French, 659 in German, and 370 in Spanish.

Centre at Salford; the Merseyside Language Export Centre; the Welsh Language and Export Training Centre at Swansea; the North East Language Export Consortium at Newcastle-upon-Tyne; the Yorkshire and Humberside Language Network Centre at Leeds; Language Export Information Services at Oxford; Language Consultants for Industry at Bath; and the Hampshire-Surrey LK Centre at Portsmouth.

Their swift creation is evidence of a fundamental change in the state-maintained educational establishment's overall attitude to language teaching. For to qualify for a grant from the Government's pump-priming fund in the first place, all the educational institutions on which the centres are based had to show that their language work was already valued by industrial and commercial companies in their localities.

The required statements of support from industry and commerce would not have been forthcoming if the institutions concerned had held the traditional academic attitude to language. For the traditional view was that the only proper purpose of teaching linguistic skills was to enable British people to appreciate the monuments of other nations' culture as enshrined in the great literature. Over the past 15 years or so, however, that ivory tower attitude has given place to the belief that foreign tongues should be taught as tools of present-day communication.

It is a change of view that has occurred not just in the institutions involved in the LK centres, but among language

shown on the screen and influence what happens next, are under way. But it will probably be two years before the experiments result in marketable programmes which, initially, are likely to be expensive.

The change of emphasis to present-day use of languages, and the harnessing of new technology, are evidently helping to increase interest in the learning of foreign tongues, particularly among youngsters. Consequently, the majority of language teachers do not appear to be worried by signs which might otherwise be considered discouraging.

For instance, there has been a 25 per cent drop over four years in British applications for university courses in French, even though the number of pupils taking it in UK schools far exceeds those studying any other overseas language.

Teachers typically explain the drop by saying that today's school-leavers have realised that the employment market is not much interested in people whose higher education has been concentrated entirely on a language. Hence fewer degree students are specialising in linguistic study, and more are combining it with another topic such as management.

One employer who approves of the apparent trend towards such combined studies is Peter Blackburn, who is chairman of the UK and Republic of Ireland division of Rowntree and current president of the Modern Languages Association. "The number of openings for pure linguists is minute: we only have one in about 16,000 staff here at Rowntree. In the great majority of jobs linguistic ability is most as an adjunct to different kinds of skill."

Despite the advances in the teaching of foreign tongues and young people's increased interest in studying them, however, language-learning in Britain is still less developed than it is in Germany and Japan.

The demand for tuition by UK executives and other key workers remains at best patchy. Mr Embleton says his company continues to confine language-training to fairly senior staff being sent to work abroad, whereas a survey made in ICI Chemicals and Polymers has found linguistic skills to be valuable at virtually every level of job, including the checking-in of goods delivered by foreign truck-drivers.

In the relatively few companies keen to improve their general stock of language ability, there are criticisms of some of the new LK centres as being more concerned with window-dressing to enhance their claims to grants of public money than with providing the tuition needed by their industrial and commercial customers.

Moreover many professional

linguists are less than satisfied with the measures the Government is taking to improve language-learning at the fundamental levels of education. For example, Dr Nigel Reeves, who is Professor of German at Surrey University, has misgivings about the wholesale switch to teaching foreign tongues as tools of current communication.

"Whereas there used to be an over-emphasis on the study of literature, we're now going too far the other way. We're in danger of not producing sufficient people who understand the structure of the language well enough to teach it."

Prof Reeves, like other linguists, also feels that the Government is stopping short of the measures required to prevent the state education service from continuing to expand the study of French at the expense of teaching fewer and fewer pupils other languages.

"German, which is spoken by more of the UK's customers than French is, has been declining in schools. And there has never been enough attention to Spanish, which is spoken by nearly as many, let alone to languages like Japanese. The Government says its policy is to ensure a better balance of teaching. But it is leaving the policy to be carried out by local education authorities which, if past experience is any guide, will fall down on the job."

"Although I'm not a supporter of central direction of education in a general sense, if there's one place where national scale management is needed, it's in language teaching."



Ten European languages are taught at the Learning Language Centre at Manchester Business School. The courses emphasise effective business communication

Alan Forrest pays a visit to Linguaphone

The case for home study

ONE OF the major decisions facing language students is whether to settle for home study - built around a kit with cassettes and a cassette player - or to choose one of the many outside courses, from local authority night school to more expensive private classes.

There are advantages on both sides. The outside course brings social contacts and even an atmosphere of healthy competition. But according to people in the home study business, that is exactly what some businessmen do not want.

Some senior executives, they say, do not appreciate emerging as the class clown on an open course and fare a lot better with study kit at home or in the privacy of their office.

Such considerations are firmly in the mind of Karina Mellinger, business sales and marketing manager for Linguaphone, a market leader and one of the oldest-established names in the home study business. Ms

Mellinger, with her managing director, David Wallace, are busy planning Linguaphone's strategy for the next decade. A key factor is the group's extensive "Business Minilab" pack, a range of cassettes, course books and a player in an executive briefcase and available in French and German. It costs £499 including VAT. If this sounds on the steep side, we are asked to think of the saving for a business - it can be used by any number of students instead of paying for a separate course for each one of them.

A growth area at the older end of the market is in the number of Britons retiring abroad and suddenly discovering that they still do not know enough Spanish to survive out of season in a temporarily deserted corner of a coast.

"A quick bright exchange in Spanish in one of the non-tourist shops can do wonders for your household budgeting," says a London estate agent points out.

As Mr Wallace says, home study is an essay in self-help. That seems a lonely business, but is not necessarily so. Linguaphone is busy establishing a tutorial system by correspondence, based at Cambridge. A call at one of its centres in London's Knightsbridge or Regent Street reveals a wealth of aids - handbooks, tapes and even video games in your foreign language.

Linguaphone aims its main sights at the business market, but there is room for everybody in the home study field. A six-cassette course, available even in Serbo-Croat and Thai, can cost as little as £129.90.

Home study involves self-discipline but it also allows you to learn at your own speed and get it right without worrying about lagging behind the rest. There are those who argue that the ideal is home study plus an outside course. But that is really beside the point when the bills begin to mount.

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WEEKEND FT REPORT

English as a foreign language is a thriving market

A nice little (£1bn) earner

EVERY EXPORT company is proud to ups and downs in trade through factors outside its managers control. But none can be more subject to the slings and arrows of external fortune than the branch of Britain's export business which now probably earns £1bn of foreign currency a year by the unusual method of importing people from abroad to study English.

The 650 or so UK-based schools teaching their native tongue to foreigners are as much at risk as any company to movements in exchange rates, which have often caused sharp and sudden fluctuations in their inflows of students from specific countries. In addition, however, they are liable to be damaged by any happening anywhere in the world which makes their potential customers nervous of travelling.

For example, two years ago brought the US air raid on Libya and terrorist attacks in Spain and at Rome airport, as well as the Chernobyl disaster accompanied by world-wide broadcast reports of concentrated radioactive dust drifting westward. While the language schools recognise that their sufferings from such events were nothing compared with those of the people immediately affected, they were glad to get that particular year behind them.

Overall demand for British-based courses in English as a foreign language (usually abbreviated to 'EFL') improved greatly in 1987 and a thriving market is in prospect again this year. Even in the most buoyant conditions, however, the schools' managers need considerable skill and ingenuity not least in coping with a bewildering variety of habits and expectations on the part of their customers from different countries.

EFL teaching as a whole is made up of a number of sections, not all of which are equally prone to difficulties with customer variations. One

part of the trade where such problems are less pressing, even though still existent, is the section catering for senior managers of overseas companies paying tuition fees ranging from £10-£12 an hour when they are taught in small groups to £35 or so if they wish to have their own exclusive tutor. Nor are customer differences a pronounced problem in the section which concentrates on teaching English for special purposes, an example being air traffic control, again to relatively small groups of people. The fees for such courses are typically around £200 a week for each student, which board and lodging costs can easily double.

But the executive and special-purposes sections, while

the Continent for enough students to keep them running. Thus, they are considerably at risk to foreign exchange fluctuations.

The most recent instance is the weakness of the US dollar which has brought a drop in the number of young people coming from Latin America, particularly Argentina. That area has traditionally been the UK ally of EFL schools' mainstay during the first months of the year.

In compensation, however, the strength of the yen has led to increased demand from Japanese students who for the most part come in groups of 25-30, accompanied by one of their own regular teachers, either during February and March or to swell the European hordes in

tion of the school and its inhabitants before booking their children on even a three-week summer course. An equally frequent difficulty arises, not within the school itself, but in the accommodation where the students stay while they are taking the course. For the most part they are boarded out with local families, and those from some countries behave in ways that are not acceptable in the average English home. Thai students, when more than one of them is staying in the same place, and Mexicans and Venezuelans even singly are said to be especially given to treating their hosts like servants.

It does not take much such behavior to saddle a school with shortages of accommodation for its subsequent intakes, not least because the fees paid to the boarding families are far from lavish. The current going rate for bed and two daily meals is about \$55-65 a week for each student in London, reducing to £40-50 elsewhere.

What is more, political strife and adverse foreign exchange movements together with difficulties with students, their parents and affronted local families do not complete the list of potential troubles, at least where the privately owned schools are concerned. Their market is being increasingly attacked by state-maintained polytechnics and colleges which provide teaching in English as a foreign language as a precursor to courses leading to widely recognised academic and vocational qualifications.

The totally fee-dependent EFL sector tends to resent the state institutions' competition because it suspects that some, if not all, of them are using part of their grants from public funds to offer their English teaching as a 'loss leader' at an uneconomic price. Nevertheless, the self-financing sector has been off cut-price rivalry before - notably from foreign operations which, although they hold their courses in the UK, do their marketing and invoice their customers from abroad and so avoid the value-added tax which most of the British-based private schools are required to pay.

Given that so many EFL schools have survived to date, it seems a fair bet that even taxpayer-subsidised competition from the state education service would not be enough to wipe them out in future.

Michael Dixon

The weakness of the US dollar has brought a drop in the number of young people coming from Latin America, traditionally the schools' mainstay during the first few months of the year

growing, provide only a fraction of the EFL trade's total clientele. Its main activity, and the one in which customer variations are apt to cause trouble, consists of providing courses in general English mostly for younger people still in full-time education.

The customers therefore tend to arrive in batches from groups of countries in the same area of the world, to coincide with their main holiday from school or college at home. They usually stay for only a short period - a fairly standard length of course is three weeks for which the cost of accommodation and main meals, range largely from about £400 to £900 depending on class sizes and the strength of the teaching institution's reputation.

The main annual influx is in the summer when thousands of youngsters from Europe descend on schools throughout Britain, many of which operate for the summer season only with temporary hired teachers providing tuition in rented premises. But there are also a good number of schools concentrating on general English which are open all the year-round. That means, of course, that teachers in the summer they need to look farther afield than

July and August. The high seasons for other nationalities occur at different times. Young people from Thailand, for instance, mainly come in April.

For the year-round schools whose general English courses almost always include a sprinkling of students from widely mixed homelands, the arrival of a sizeable batch from one particular country can present problems. The Japanese are a case in point. Simply because they are slower than most nationalities to grasp the basics of English. Moreover, they are schooled in a tradition which discourages them from speaking in school. Since EFL teachers rely heavily on getting all the students to practise their English by joining in discussions, the presence of a group of silent Japanese can inhibit the whole class.

Another source of problems with customer differences is that parents of some nationalities are fussy about the other young people their offspring mix with, and the conditions in which the mixing is done. Fathers and mothers from Italy, as well as those from Spain - which like Turkey, is currently a growth market - are apt to arrive in person and conduct a painstaking inspection

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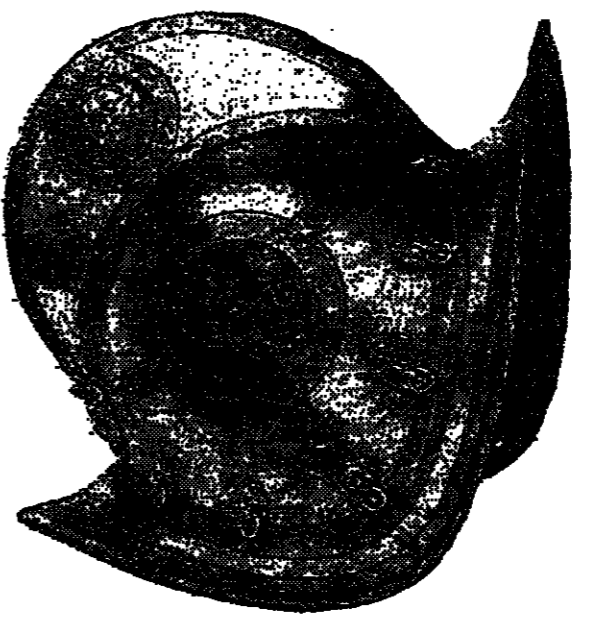
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Antony Thorncroft on a lesser known sector of antiques

Call to arms for collectors



This rare German helmet from around 1580 is offered for sale at Phillips on Thursday.

THE FIFTH Park Lane Arms Fair closes today. Since this is the world of arms and armour the war takes place, not as in olden days, at the Park Lane Hotel but at the Dorchester Hotel in London.

Little as it seems in this rarified sector of the antiques business. Many of the leading dealers are also the top collectors. They tend to operate from their homes, often sited in the Channel Islands. Apart from Ronnie Lauder, of the Estée Lauder fortune (who paid, at the Hever Castle sale in 1983, the auction record price of £1,925m for a three-quarter armour made for Henri II of France in the mid-16th century), the big private buyers remain anonymous, using dealers to do their bidding. And dealers have waxed rich on the arrangement.

It does not take much such behavior to saddle a school with shortages of accommodation for its subsequent intakes, not least because the fees paid to the boarding families are far from lavish. The current going rate for bed and two daily meals is about \$55-65 a week for each student in London, reducing to £40-50 elsewhere.

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They gather in interesting times. Arms and armour are still under-priced compared with other sectors of the antique game. Or rather, run-of-the-mill stuff - the 19th century pairs of pistols and officers' swords - is cheap. You can buy some reasonable pistols for less than £100. A sword of top quality, or with a romantic story attached to it, is much more, but even so few items sell for £10,000 plus.

But if Phillips next Thursday there is one lot of 19th century armour, a close helmet, but it is offering one remarkable item - an armour made in 1971 for Terry English who makes armour for the movies. He ordered from the Tower of London workshop a complete replica of King Henry VIII's foot combat armour. The steel was made by British Steel to match the original, and the weight is also identical. But contempo-

rary craftsmen could not fashion the helmet from one piece of metal, and this is lighter. This unique offering is hard to price but Phillips hopes that a promotional company might pay £5,000 for it.

Sotheby's next major sale on April 26 fits into the pattern. No armour of note, apart from a Saxon helmet à la Phillips; some good pistols and firearms; and one quite outstanding lot, a 14th century sword, which almost certainly saw action in the Middle East.

Any sharp marketing man would label it as a Crusader's sword and go from there. But Michael Baldwin at Sotheby's prefers to call it a Knightly sword. Despite its Arabic description; despite its probable creation in a north Italian

armour; despite the fact that it fits in with the attack on Alexandria by the King of Cyprus in 1365 and was probably captured from a Crusader and placed in the town armoury, Sotheby's is not going for the cheap headlines. Even so, such a rare and magnificent object still seems modestly estimated at up to £20,000.

In the same auction Baldwin is excited about two rare firearms. One is an early 18th century silver-mounted break loading sporting gun, which should sell for £10,000. The other is a flint lock rifle made by Collier in the early 19th century. Collier is best known for his pistols rather than long arms, and this exception should also be worth £10,000.

It needs such dramatic objects, and the dispersal of fine collections like the Draeger, to stimulate interest in what can be a pedestrian market, one in which demand waits upon decent supply. But the success of the Draeger sale in December, and the engraving after the collapse of the world's stock exchanges, was a great encouragement to the trade. The auction was 98 per cent sold, and collectors long have been dead and buried in obscurity to compete for sporting guns of excellent provenance and rarity. What was encouraging was the good demand for Italian and Spanish guns, which had been out of favour through lack of interest.

To an outsider the most notable feature of Draeger was the comparative modesty of the prices paid compared with other art markets. A fine pair of travelling pistols made for the Prince Regent were bought by the Royal Armouries for £18,672, for example, and a finely chased and engraved arquebus, with an ebony stock made as a presentation piece for King Louis XIII of France, sold for £51,869. Even a sabre bearing a fine history - it was captured from a British officer and then presented by Napoleon to General Desaix to commemorate the conquest of Upper Egypt - only made £33,186.

For such notable items the sums seem very low when set against the prices paid for paintings, but the picture market is not a picture market. It is a market for quite undistinguished pictures. But then it is easy to be sold on a picture, harder to ease yourself into the esoteric world of arms and armour, with its specialist terminology, its mysterious dealers, and its problems with authenticity. A trip to the Dorchester today could provide the spur.

A medieval library recalled

William St Clair looks at the achievement of Richard de Bury, book collector with a mission

THE FIRST English book collector stands in a long line of enthusiasts who have allowed their interest to become an obsession. Other men had accumulated libraries before Richard de Bury, but mainly for professional reasons as part of some larger design. His concern was with books as sources of knowledge and delight.

Each of his houses had its own library. He had servants to read to him whenever he had an idle moment, even at the dinner table. But he declined to give room to legal writings: "scorpions in tressle," he called them.

Born at Bury St Edmunds in 1281, the son of a knight, de Bury was a high-flyer. He was appointed tutor to the young Edward I, and rose swiftly through the court hierarchy, serving both as High Chancellor and Treasurer of England. Twice he led missions to the Pope, and his name appears who negotiated peace treaties with France and Scotland.

His enthrone in 1333 as Bishop of Durham, the culmination of a glittering public service career, was attended by the King and Queen of England, the King of Scots, and all the nobility north of the Trent. De Bury's first love was for his books, though. Before the invention of printing the books were immensely expensive, every copy written out laboriously by hand on carefully prepared vellum. Many of his were made on his own premises where he employed copyists, illustrators, and binders to make new copies of manuscripts lent by friends. At his death he owned enough books to fill five carts, but was deep in debt and they were all dispersed.

the library at Alexandria was burned, much of ancient civilization went with it. De Bury was determined that his own medieval world would not suffer a similar fate, and it is easy to see why.

During his lifetime England was wracked with wars, mostly aggressive. Within a few years the country was to be struck by the Black Death, which wiped out nearly half the population. If learning was to survive, it was urgent to multiply copies of books.

Towards the end of his life de Bury composed a treatise, *Philobiblon*, the *Love of Books*, as a defence of his ideas and of his conduct. It evidently caused a stir, circulating widely in manuscript, and was among the first books to be printed when the new invention spread through Germany late in the 15th century.

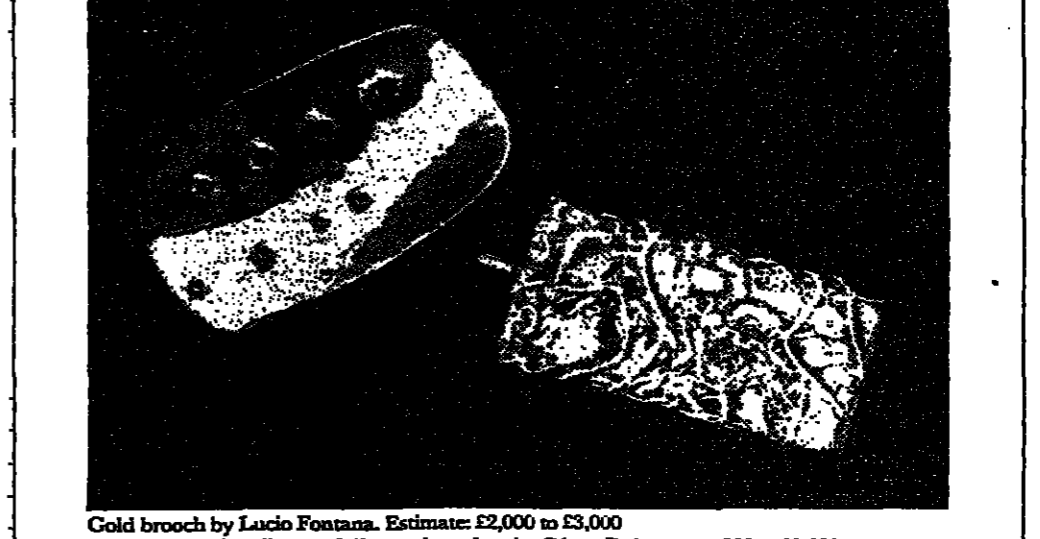
An English translation (from the Latin) was published in 1698 but it was not until 1888, exactly 100 years ago, that E. C. Thomas produced an accessible version which introduced Richard de Bury to modern book collectors. That version was reprinted in the Kings Classics series early this century and is still a common and inexpensive book.

We are neglected, mutilated, corrupted, and destroyed, according to Richard's lament. The threads of civilization are snapped and the wells of truth are filled in by philistines. Scholars lean on books and break their backs or read them while eating cheese or fruit. They stick flowers in them to keep the place, and let their children touch the illuminated capital letters with their smutty fingers. As an insight into the medieval mind, as well as the apology of a great collector, the *Philobiblon* is still worth a read.

Some of the types of books which de Bury strove to preserve and reproduce can be seen at the Age of Chivalry exhibition at the Royal Academy, London, although many of these are psalters which were less at risk than literary and historical works. There is an interesting collection of writers' tools and pens, and a very rare 14th century stamped leather binding from Durham, which might have a direct connection. There are even two tiny portraits of the bishop to be seen on the red seals which dangle from his official documents.

De Bury never doubted that books were his best allies in the advance of his Church against its enemies, and he would have been horrified to know that they were soon to break its intellectual monopoly. The exhibition closes on March 6.

If you like Contemporary Art why not wear it?



Gold brooch by Lucio Fontana. Estimate: £2,000 to £3,000. Crushed gold jewellery and diamond pendant by César. Estimate: £1,500 to £2,000.

It's not an impossible dream.

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Enquiries: Hugues Joffre or Caroline Porter in the Contemporary Department on (01) 408 5401 or (01) 408 5402. 34-35 New Bond Street, London W1A 2AA. Telephone: (01) 493 8080.

SOTHEBY'S FOUNDED 1744

DIVERSIONS

Richard Gilbert follows in the footsteps of Yorkshire's earliest inhabitants

THE GREAT limestone escarpment forming the western boundary of the North Yorkshire moors is one of the best known landmarks of northern England, and its summit provides expansive views.

Stand beside the indicator on Sutton Bank and look west across the Vale of Mowbray to the Pennine chain. Then turn to the south and gaze beyond the crumbling yellow limestone of Roulston Scar to the Vale of York, merging into the flatlands of the East Midlands.

York Minster is the dominant feature and, on a clear day, a pimple on the horizon has been identified as Lincoln Cathedral, 75 miles away. From this perch in the Hambleton hills, the poet Wordsworth watched the sun go down on his wedding day; home noted veterinary surgeon James Herriot claims the view is the finest in England.

It is not difficult to imagine the scene 12,000 years ago. The patterned fields spread out below would have been covered with grey rivers of ice, hundreds of feet thick. For two million years, successive ice ages formed the landscape we see now. Yet, the high ground on which we stand was not covered by the ice; this was the home of the mammoth, bison, the woolly rhinoceros and man.

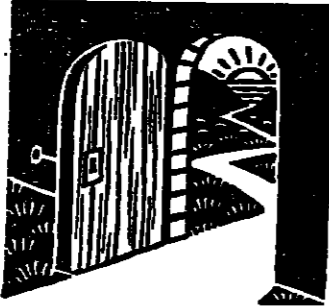
At some stage during those cataclysmic times, a massive landslide from the escarpment blocked a melt-water channel and Gormire lake was formed. You need to walk a short way north from Sutton Bank, and peer over Whitestone Cliff, to see the black, oily waters of Gormire lying sullenly below.

Gormire is one of only three natural lakes in Yorkshire (the others being Malham Tarn and Semer Water), and, shadowed by cliffs and surrounded by trees, it is certainly the most gloomy and austere. Gormire is reputed to be bottomless, for legend tells us it was formed by Satan on horseback leaping from the cliffs and flinging himself back into the bowels of the earth.

However, this mysterious, dark lake makes a fascinating objective for a walk around and about the crags of the Hambleton hills. The starting point is the car park under the extraordinary White Horse of Kilburn, a chalk figure cut in 1857 by the village schoolmaster at the suggestion of Thomas Taylor. As you climb



Ice age bequest

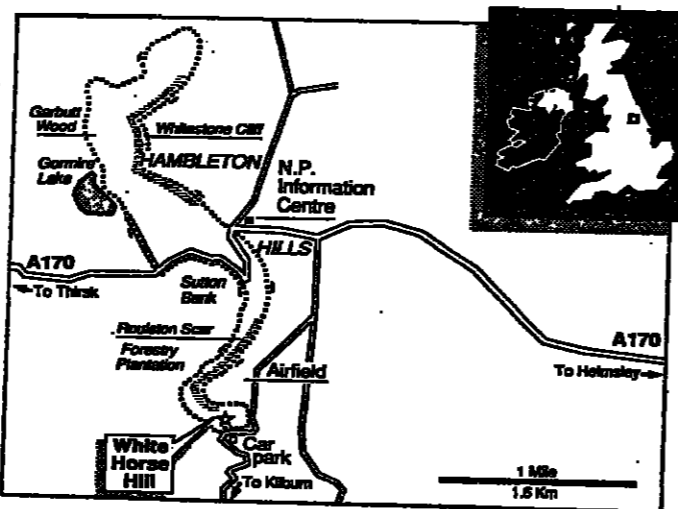


Secret Places

The steep path beside the horse the lovely, rolling, wooded Howardian hills, declared recently an Area of Outstanding Natural Beauty, come into view.

The village of Kilburn, directly below, has gained international fame from the furniture workshop of "mouse man" Robert Thomson, who makes high quality oak furniture with each piece bearing his trademark of a mouse.

For a mile the path runs north, hugging the cliff edge above the crumbling Jurassic limestone of Roulston Scar. The cliffs funnel the westerly winds into strong up-currents, and you might see gliders soaring from the airfield on the right, the home of the Yorkshire Gliding Club.



At Sutton Bank you can browse in the National Park Information Centre and inspect its exhibitions. Refreshments are available.

As soon as you leave Sutton Bank to strike north along the narrow path, running through the heather and bilberry, you leave the crowds behind. There are no problems with the route because this section follows the Cleveland Way with its acorn waymarks on gates and stiles. In less than a mile the path skirts the top of Whitestone

Cliff, a superb rock face of sounder limestone than Roulston Scar. The face gives several sheer climbs including "The Night Watch" one of the great classic routes in North Yorkshire. A few gnarled and twisted trees grow on the exposed cliff top, their branches deformed by the prevailing westerly winds. Eventually the cliffs peter away to be replaced by grassy platforms and ledges. In the spring these are carpeted with primroses, cowslips, violets and

forget-me-nots, while honey-suckle tangles over the rocks. Away to the north and west sweep the heather-covered moors, 40 miles across at their widest.

Less than half a mile from the path along Whitestone Cliff runs the historic Hambleton Drive Road. A broad, grassy track over the Hambleton hills has been in existence since time immemorial. It was used by Neolithic and Bronze Age people, by the Romans and, until the coming of the railways, by cattle drovers from Scotland.

The Hambleton road was popular with these men because they avoided tolls on the main turnpikes as they drove their herds of cattle to the Michaelmas and Martinmas fairs at York and Malton. Drivers were accommodated at inns on the high moors: the Chequers, Liddell House, Dialstone House and the Hambleton Hotel. The latter, beside the A170 at Sutton Bank, is the only one still in business.

Although Whitestone Cliff is the most impressive crag on the escarpment of the moors, steep and broken ground continues to the north. Wooded and sheltered valleys run up onto the moors in places and tiny villages have sprung up in the hills. Sutton, Cowesby, Thirby, Hopperton and Bolthby. The "by" suffix indicates they are of Danish origin.

All this time Gormire has been in view, nesting in its hollow beneath the cliffs. As soon as the crags relent, a path runs down into the woods from the high ground.

Take your last few breaths of the bracing hill air and plunge into the dank Garbutt Wood, a nature reserve managed by the Yorkshire Wildlife Trust. The path zig-zags through the trees and deposits you right at the edge of Gormire lake.

To return to the White Horse, follow the track from Gormire farm, on the south side of the lake, to the main A170 road. Walk up the hill to the first hairpin bend and take the path on the right which runs through woods under Roulston Scar. This track gives a close-up view of the decaying yellow cliffs, seamed and cracked by weathering, overgrown with ivy, and now the home of jackdaws.

Allow 2 1/2 hours for this Hambleton circuit, which is about six miles.



Jungle fights back

NOT EVERYONE loves the countryside, although it is unfashionable to admit it. For me, whether it be the lush Hampshire or humid rainforests, one's bucolic pleasures always seem to have to incorporate mud-sullen if not downright suspicious natives and, invariably, late newspapers.

Anyone living in Brazil, however, cannot avoid constant badgering from ecologically-minded friends to go and find out something about the Amazon. Is it really being chopped up? Will there be anything left by the end of the decade? What about the world's oxygen supply, the Indians, the flora and fauna?

Reports filtering through to the bars of Rio de Janeiro last year finally confirmed that the journey could no longer be put off. Apparently, hitherto all but unknown tribes of white men - the Royal Geographical Society - had been contacted way north in the territory of Roraima.

My particular heart of darkness was 140km to the north-west of Boa Vista where the riverbank of Maraca has been playing host to some 140 British and Brazilian scientists. I was briefed to find out what is there. The answer is a lot. The bird people had charted unexplored species, the batman had logged over 40 varieties, suspected new flower types emerged and the ant man - actually he liked the flies that lived with the bees - was busy.

The most backbreaking of the work underway, and perhaps the most crucial, were the studies on forest regeneration. Dr John Proctor, an engagingly frank lecturer from Strickland University, said preliminary evidence suggested that the forest may be expanding at Maraca.

Expanding? But surely the cliché says that the forest is being vastly depleted and their soils turned to desert by inefficient farming? Yes and no, apparently. Though this is true in some places, in others there is precious little evidence as to what size the Amazon forests are, or were, beyond the ball-park figure of 8m sq km.

Analysis of the first satellite pictures suggests that by 1978, even after the big road projects, only about 5 per cent had been lost to man. While maybe another 5 per cent has gone since, some do believe that the rate of destruction is declining as immigrants realise that much of the land is useless for farming.

New evidence suggests there is rather more rainforest than we thought and that it is disappearing rather less rapidly. Dr Proctor said, "If I hear one more person going on about the delicate balance of the ecosystem, I'll brain them with a stick."

Colleagues, as colleagues do, disagreed, though everyone was united in their anger at the indubitably catastrophic destruction of Brazil's separate Atlantic coast forests.

Later, returned to Rio and safe from the fury of mosquitoes, army ants and the legendary strangler fig, I called Prof Keith Brown of Campinas University who has spent years in the front-line of the forest debate. After much prevarication he conceded that the Amazon forest is still very much intact.

My theory is that Mother Nature has pulled off another coup by developing a self-sustaining parasitical chain not unlike that that exists and fertilises the forests themselves. The forests exist, people chop them down, conservationists rage, politicians react, companies seeking good eco-PR sponsor scientists to examine the problem, journalists write it up. The existence of each group is dependent on that of the others.

In fact, pace Dr Proctor, it all amounts to an extremely delicate socio-political ecosystem.

Ivo Dawnay

The answer to a cry of despair

The recent outbreak of meningitis has raised interest in a disease about which little is known. Alice Rawsthorn reports



All in a good cause

TWO YEARS ago Jane Wells, whose son had just recovered from a severe bout of meningitis, wrote to her local newspaper in Gloucestershire asking why so little was known about the disease?

Her letter prompted dozens of responses from people in despair because they, or members of their families, had contracted meningitis. A small support group of parents formed to help local people whose lives had been affected by it.

As the incidence of the disease increased, the Stroud group received pleas for help from sufferers who had nowhere else to turn. By the end of 1986 the demand had become so great that it decided to form a charity, the National Meningitis Trust, to offer a full support service and to raise funds for research.

Meningitis has been recognised as a serious disease for more than a century. Yet remarkably little is known about why it is contracted and how it can be cured.

The disease occurs when the meninges, or the lining of the brain, become inflamed. There are two strains of meningitis, viral and bacterial. Both carry the same symptoms of high fever, severe headaches, nausea, drowsiness, aversion to bright light and occasionally a rash.

Viral meningitis tends to last for several months then dissipates without causing serious damage. The bacterial strain, can be fatal and can kill within a day. One in four children or is left with long term brain damage.

The disease spreads in waves, generally in ten-year cycles. Britain is experiencing an outbreak now. Since 1985 the number of notified cases of acute meningitis has increased by more than 50 per cent to at least 2,440 cases last year. The death rate has risen in proportion.

Perhaps because meningitis tends to flare up and then fade away, there has been relatively little research into it. As a result people suffering from meningitis and those looking after them have been largely in the dark about the disease. One objective of the trust is to overcome this problem.

The main difficulty has been that the level of demand has been far higher than expected. The trust is run by two national officers - Jackie Totterdell, who is in charge of campaigning, and Alice Rawsthorn, who organises fund raising - and four secretarial staff. Volunteers run the night time service.

But staff must juggle the responsibilities of offering support to meningitis sufferers with the need to establish a solid base for the charity. Ms Totterdell says: "It is often very difficult for us to take time off from dealing with individuals to concentrate on the more general objectives of increasing public awareness of meningitis and raising funds for research."

The pressure on the charity has been intensified by a recent rash of media coverage of meningitis. This has been a mixed blessing. It has helped to bring the disease to the public's attention but coverage has often been unduly alarmist.

The progress of the trust in the first year has been coloured by the problem of deciding how to allocate financial resources. One of the chief aims of the charity was to raise money for research into the disease. To ensure that as much money as possible goes to research, the trust has tried to minimise its own overheads.

The trust limited the proportion of money to be spent on its own expenses to about 15 per cent of the £280,000 raised in its first year.

For the longer term it has decided to adopt a more formal approach whereby its own expenses will be covered by corporate sponsorship, thus ensuring that all the money donated by the public will go towards research.

Having completed its first year, the trust is now deciding how to progress in the second. It is already committed to raising £600,000 for an Oxford research project in Oxford and is now considering whether it can afford to take on a third officer - in this case with all the responsibilities of a national officer.

The Meningitis Trust can be contacted at Fern House, Bath Road, Stroud, Gloucestershire, GL8 3TU.

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Gerald Cadogan visits a special spot in Greece where legends come to vivid life



A panoramic view of Dr Schliemann's excavations in the acropolis of Mycenae, with Mrs Schliemann in the foreground

Hits and myths at ancient Mycenae

MYCENAE in a downpour has no cover. I was soon soaked and, like Agamemnon coming home from 10 years of Troy, eager for a hot bath. For him, of course, it was a fatal step; his wife, Clytemnestra, killed him in the tub.

The gloom and doom of the mythical royal family of Mycenae were vivid as it rained steadily and clouds raced around the plain of Argos. The life of Homer's heroes matches the archaeology of the 9th and 8th centuries BC, not the 14th-13th centuries heyday of the Mycenaean. Keep the heroes and the monuments in your mind and you will find Mycenae more intelligible - and doubly exciting.

We drove from Athens and stopped at the Corinth Canal to look down from the bridge and east souvlaki, pork cubes on a stick (Homer has the first recipe.) The canal was dug in 1822-23 although Nero turned a sod with a golden spade to start one in 67 AD, using prisoners from the Jewish Revolt. It was not finished. For centuries before that, the Corinthians had dragged the ships across the island of Pelops, the cursed grandfather of Agamemnon, who turned south for the plain of Argos, the heartland of Mycenae (or late Bronze Age) culture. The road goes up and down through hills, crossing the railway constantly. As it drops to the plain, you see ahead an avenue of eucalyptus. Turn there and drive through the village of Mycenae where the original pub, the Belle Halme, has been swamped in a miasma of hero-named drinking holes and hotels.

Continue until the great rock of the acropolis (citadel) fills the view on the right. It is a fierce, castellated pudding surrounded by great walls. On the south side, a ravine is a natural defence. The car park is on the ridge leading to the citadel. This was a burial ground for most of the 2nd millennium BC, and in it you can trace the rise of Mycenae. First there were isolated graves, followed by graves set in a circle (Grave Circle B, 1650-1500, just inside the fence). Then came the riches of Schliemann's Grave Circle A (1650-1450), which was originally in open ground. But now - in fact, since 1300 BC - you have to go into the citadel to reach it.

Walk along the ridge and turn up under the walls, where defenders on the bastion to the right could attack your sword arm. Go through the great Lion Gate, named for the relief over the lintel of two rearing beasts their feet resting on an altar. Inside, to the right, is Circle A as re-arranged in 1900, with a

surround of a double row of slabs with capping slabs and the great citadel wall swung out to incorporate the ancestors. The religious heart of Mycenae was next to this circle. Large clay figures have been found there which may have been ritual mourners and clay snakes - symbols of death and regeneration. Imagine the 13th century BC visitors worshipping at the circle and the shrines before they ascended to the palace on the top of the rock.

The circles mean the presence of a princely family - or several - at Mycenae, and the graves show how their wealth grew. The earlier ones in B have a few pots, the later gold jewelry, gold cups and a rock crystal bowl with a handle like a duck's head. By the time of Circle A, the family was very rich. It had cups in gold, silver and electrum (a natural alloy of gold and silver), elaborately inlaid ceremonial daggers; exotic stone vases from Crete; amber beads from northern Europe; gold masks; bronze weapons; and heaps of gold jewellery including diadems, breastplates and costume jewellery roundels.

Their bones show they were taller than the general populace, healthier and better-fed. They were a warrior aristocracy. Head wounds, spinal fractures, and left shoulder arthritis (from carrying a heavy shield) are signs of their life. Their grave markers show them hunting in chariots. And they must have liked dressing up. We can imagine them in the Greek sun literally shining with gold. A terrifying sight.

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They must also have had Cretan craftsmen come to work for them. We know little of where they lived. Only in the 14th century did monumental buildings that were not tombs appear at Mycenae. In the period after the palace of Knossos ceased to be an Aegean power. Around 1300, the great walls and the Lion Gate went up. We have to guess at the purpose - and of the part of the citadel - and the great tholos (or beehive) tombs of Mycenae - was to impress. The conspicuous consumption they represent complements that of the burials in the circles.

The threat got worse. Around 1250 the houses outside the citadel were destroyed, which led to strengthening the defences. The Mycenaean extended the citadel wall in a salient to the east and added a sally port and an underground water supply, reached by steps going down below the wall (take a torch, and do not fall in). They were ready for siege.

Disaster came. Early in the 12th century, the citadel was destroyed and palatial life ended. Some people stayed on. Others left the Argolid for other parts of Greece and for the south coast of Turkey, Cyprus and Palestine. Later, all the houses were abandoned and graves dug in the debris.

By the time of Homer, Mycenae was living on the cult of its glorious heroes, as it has done ever since. When the traveller Pausanias visited in the 2nd century AD, he was told that giants (or typhes) had built the walls and that the greatest of the beehive tombs, across the valley from the citadel, was the treasury of Atreus (father of Agamemnon).

Perhaps, and perhaps not. But a visit makes it clear beyond all doubt that there were kings at Mycenae in the Bronze Age, and what they made is the stuff of legends.

سكناء من الامم

DIVERSIONS

The art of the possible

TO START collecting art you do not need to be rich or knowledgeable. My young son, only four years out of university...

'As an amateur buyer of pictures I find art and money inextricably, irrevocably, intertwined'

just the thought of the financial gain. It's much more exciting (to me, anyway) than backing the fastest horse in a race...

One of the problems, though, for the nervous is that dealers and art experts are not usually inclined to be helpful when you ask, however tentatively...

The implication here is that to think of anything so crude as money when the finer points of aesthetics are at stake is really very really brutish. Art and money, they imply, are very unsuitable bedmates...

But it is unfortunately true that there can be no guarantee. In the end, as with most things, the price you will get for a work of art depends upon how many other people want to buy it...

reassure you, we're talking small cheese. This week's piece is directed at all of you who are not likely to be bidding when a Degas' laundressmaid (estimated price, £5 m) comes up for sale at Christie's next month...

Remember galleries are actually shops but in spite of the sometimes rarified air surrounding them, when it comes to the nitty gritty they are usually more helpful shops than most...

If you're all fired up and ready to go you could start by heading for a few areas where the gathering of interesting galleries are collected. The Portobello Road and what Antony Thorncroft calls its 'raffish side streets' is now one of the most lively and fruitful areas...

Angela Flowers, 11 Tottenham Mews, London W11

Old-established now but nonetheless exciting for all that. You could spend as little as £50 on a print or as much as several thousands. Those who have backed Angela Flowers are and instinct from the very beginning could by now have recouped their investment many times over...

Prue O'Day was one of the first of the new wave to move into the Portobello area and is a prime mover in making the area a lively centre for artistic happenings. She believes in keeping the excitement going and will alternate a highly accessible show with something tougher...



Vanessa Devereux with some of the works in her gallery

Anderson O'Day, 255 Portobello Road, London W11

ings now are about £900. Suzanne O'Driscoll (her work at from £200 to about £500 is still very affordable) Norman Ackroyd ('I just think he is the best etcher in Britain today, his works in the tradition of Goya...')

Vanessa Devereux Gallery, 11 Elizabeth Crescent, London W11. A new and very approachable gallery, part of the new lively Portobello Road area. Vanessa for the moment has a stable of just nine artists because she sees her commitment to any artist she takes as so long-term...

lot of money and I feel I owe it to my customers not to think of selling an artist whose work I don't want to buy for myself. I love selling a piece to somebody who has never taken the plunge before and I've started a credit-card system (no interest payable) so that customers can pay in instalments.



The Bachelor of Powalgarh, the legendary tiger said to have devoured some 300 fishermen, a lifesize sculpture in mild steel by Jane Ackroyd. £5,000. Anderson O'Day, 255 Portobello Road, London W11.



Lucia van der Post FT ART CRITIC WILLIAM PACKER GIVES SOME TIPS

THE RULES I offer to would-be collectors are rules of thumb, to be bent and broken as the occasion demands.

Set a spending limit. In general and for particular occasions, not so much to inhibit but to give you pause to consider how seriously you are interested. Having drawn your line, you must always be prepared to cross it. Nothing breaks my heart more than the thought of the things I might have had, had I been only a fraction bolder.

Never buy anything because it goes with the curtains, or decide against it because it does not go with the wallpaper, or you dislike the frame. Those things can be changed. Don't be worried if you have a small room - big pictures often look splendid on small walls.

In contemporary painting, the question of prices leads to the next and perhaps the firmest rule - never collect for investment. Buy only what you like and can bear to live with, and trust the investment to look after itself.

In short, train your eye, trust your judgment, enjoy yourself. If you keep more or less within your means, you need not be too afraid of your mistakes.

works it has for sale. From April 12th a new permanent collection will be on show and will be very affordable (under £100) works on paper (mainly lithographs) by the same artists.

The Paton Gallery, 2 Langley Court, London WC2. Anne Berthoud Gallery, 1st Floor, 10 Chifford Street, London W1.

Louise Hallett Gallery, 27 Junction Street, London W2. The Curwen Gallery, 4 Windmill Street, London W1.

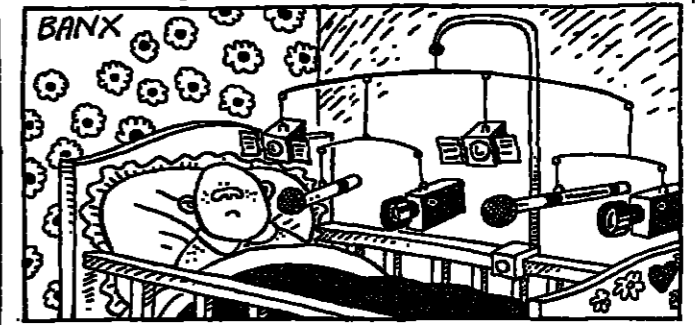
The Contemporary Art Society has an art-market at 5, 7 and 9, Shelton Street, London WC2 every autumn (watch for the dates in HTS) where you can buy and take-away on the spot the works of living artists.

The Young Unknowns Gallery at Waterloosquare is run by volunteers and features new talent from the Slade and the RCA. Peter Sylveire, who started the gallery, says he has works selling for as little as £20 and even has a Westminster schoolboy who buys regularly.

Almost every town these days boasts a gallery and nobody should be too far from a source of original work of art. Here, however, are some of the most distinguished sources of good contemporary work.

The Compass Gallery, 178 West Regent Street, Glasgow. The Scottish Gallery, 94 George Street, Edinburgh. The 369 Gallery, 289 Cowgate, Edinburgh.

Peter Knight finds out how easy it is to bug a baby



The spy who loved me

THIS IS the age of the bugged baby, where every scream and gurgle can be relayed to absent but doting parents no matter where they are in the world. Modern Ma and Pa (work, work, working to pay the school fees) can choose from a high tech toy cupboard bulging with executive gadgets designed to replace the umbilical cord. Bambino can be paged constantly on view through closed-circuit television, monitored via James Bond type listening devices...

Hell, can't a child get any privacy around here anymore? Sony is selling a closed-circuit television system, called Watchcam, for the home and it's especially useful in the nursery. The device consists of a small fixed lens camera (about half the size of a pack of butter) with a built-in microphone, that can be clamped on to a shelf or suspended from the ceiling, from where it watches the baby. A cable leads to a book-sized black-and-white screen in another room, a set-up similar to that used to spot shoplifters.

This means that mother, father or nanny can be in the kitchen or sitting room and at the same time keep an eye on the nursery, which is especially useful if you're entertaining or baby is ill. The Watchcam runs on a battery, but its control box (to which the power goes) is at the monitor end, so there's no electricity in the nursery. Watchcam can also be used for other household monitoring, such as checking the identity of callers at the door. First, you need to run a grey cable from room to room, which looks horrible. Second, the camera needs a reasonable amount of light to produce a clear picture, such as a bedside lamp - a child's night-light is not bright enough.

Of course, if you already own a video camera, you don't have to spend extra on a Watchcam. The camera is set up in the nursery and a cable led to a television set in another room. Pictures of the baby can then be fed into an unused channel and you can flip over using the remote control when you need to check.

The Watchcam is an improvement on a rather expensive one on the simple intercom systems that have been in use for some time. These devices monitor only the sounds of the baby, which are relayed via a cable to a receiver in another room. Mothercare sells its Baby Alarm, a battery-driven two-way intercom, for £18.60. A modern variant dispenses with the cable and uses the existing electrical system for transmission. This might sound rather alarming but is perfectly safe. A transmitter, in the shape of a three-pin plug is inserted in the electricity socket in the nursery. A similarly shaped receiver is then plugged into any socket in the house, from where it will relay what's going on in the nursery. Mothercare's Electronic baby alarm costs £26 and similar devices are available from baby departments in big stores from around £20.

Before buying a sound monitor, it's worth thinking about the need for adults to communicate from the nursery. If mother needs to talk to father or nanny in a different part of the house, make sure the monitoring system can work both ways. Some working mothers carry a radio pager, or bleeper, so that nanny can make contact in an emergency. If the child has a bad fall the nanny dials a special telephone number and the paging service immediately sends a radio signal to the mother's pager, which beeps. She then grabs the nearest phone and calls home. The system can be especially useful for babysitters who might need to contact the parents while they're in the theatre or restaurant. Radio pagers are, like the telephone system, part of a service.

The actual device, which is clipped inside a pocket or handbag, comes in various shapes and sizes, depending on its facilities. Some are not much bigger than a matchbox and others, such as those offered by Mercury, are pen-shaped. The cheapest give only a beep, while others will display the telephone number of the person who is trying to contact you, or a short written message. Some relay short spoken messages. The beepers are usually hired from a paging service which also makes a regular charge for the airtime. There are a number of service providers, but some operate only in certain parts of the country, among them Air Call, Mercury, Inter-City, Digital Mobile Communications and British Telecom.

Look for suppliers under Paging Systems in the Yellow Pages, and shop around for the best deal. British Telecom offers a special short-term pager hire for expectant fathers. Called Babyline, the service provides the father with a pager so that the mother-to-be can sleep when she feels the first contraction. It costs £5 for one day, £15 a week and £45 a month. (More information on 0800-232666.)

Mobile telephones, which work on one of the country's two cellular telephone networks, are the ultimate accessory for the modern mum. These are much like car telephones, but without the car. Excell makes the smallest phone, but other hand-held models are available. None are small or light enough to carry easily in a pocket, but the Excell, for instance, fits into a handbag or briefcase without bursting the seams. Portable phones are especially useful for mothers in hospitals without private telephones. It allows her to call friends and family while breastfeeding, and she can switch it off so that nobody disturbs her rest. The phones are expensive to buy (about £2,000 for the Excell) and use (each call costs the same as dialling Ireland). But they can be rented from around £10 a day plus call charges.

IT USED TO be said that a lady who felt a little low ought to go out and buy herself a new hat. Amateur psychology held that indulgence in a little frivolous luxury worked wonders in raising female spirits.

NEW BOUNCE FOR OLD CHAIRS! The Pirelli Cushion Mender. Longlife cushions with extra durable PIRELLI and TORNELLI seat and back covers. Some savings on a new cushion that you'll never need to buy again.

Cookery

Simple, stylish shellfish

seemed to forget that fierce or prolonged cooking turns scallops to rubber and that freezing is disastrous. Wrap scallops well in protective rashers of bacon if you plan to grill them. Or fry them in a fat that is hot rather than sizzling - but make sure they keep frying and don't start stewing in their own juices. Or poach them in a just below the boiling point with barely a bubble breaking the surface of the liquid. Cook the corals only until they stiffen slightly. The whites are ready when they change from glossy to pearly.

Given the price of scallops it is understandable that we should want to eke them out with other ingredients. But these extras need to be chosen with special care or the effects can be detrimental. A light and elegant sauce can be lovely (cream, fish stock, white wine, a splash of vermouth and aromatic Seville oranges are good things to go for here) but beware being heavy handed with flour or cheese, which can act like suffocating blankets.



A piping of duchesse potatoes may be traditional with scallops in Britain but I find it fancy and far too bland-tasting to be complementary. Smoky bacon has a true affinity with scallops. Mushrooms and Jerusalem artichokes are other fine allies, while the contrasting crunch of croustons or fried breadcrumbs makes a delightful finishing touch.

them with mushrooms and a mixture of fish stock and white wine. The liquids were then reduced to concentrate the flavours and were enriched with cream to make a small quantity of glossy coating sauce. It is a recipe I still use and I have enjoyed creating variations on it.

Sometimes I leave out the mushrooms and wine and flavour the sauce with a little saffron. Mange tout peas go well with this and the colour scheme is brilliant. Sometimes I replace the mushrooms with small strips of chicken breast meat and I replace the wine with the juice and zest of a Seville orange. When good fresh spinach is available (and some excellent Italian spinach is coming into the shops now) I like to steam it to make a shallow bed of it, to lay lightly poached scallops in top and to spoon a little hollandaise sauce over them. Flavoured orange juice if you can include a good pinch of the zest for extra aroma. Use Seville too to make vinal-

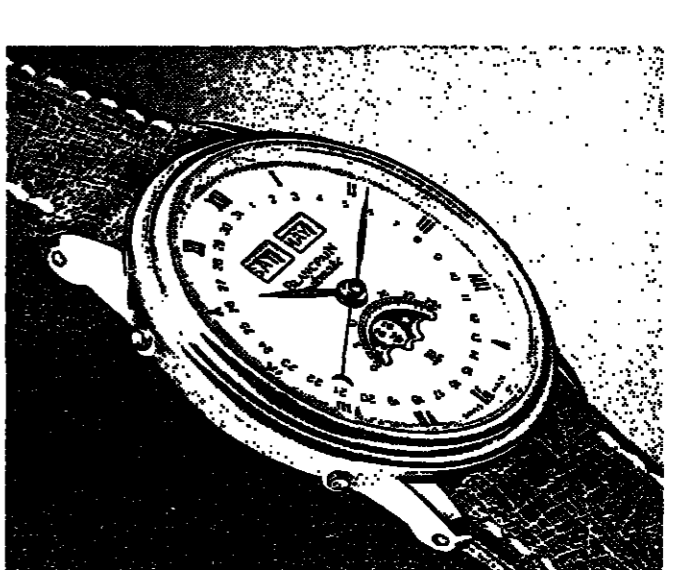
grette dressing and mayonnaise, and try serving them with salads of raw or lightly cooked scallops mixed with chicory and almonds that have been split and toasted to intensify their nutty sweetness.

Also excellent is a warm salad of scallops and ribbon-shredded leeks, both gently cooked in a little olive oil, dressed with a squeeze of lemon and toasted coriander seeds.

Scallops make sumptuous quenelles and wonderful soups, none better than the scallop and artichoke soup given by Margaret Costa in her Four Seasons cookery book. This recipe gave me the idea for a dish of scallops and artichokes à la crème.

First poach some thickly sliced artichokes in a mixture of milk and cream with a bay leaf. Then cook some scallops in the same creamy liquid. Thicken the cooking liquor delicately with a little beurre manisé, season it with salt, pepper and a scant grating of Parmesan cheese. Pour the sauce over the scallops and artichokes and scatter with hot fried breadcrumbs. I allow half to three quarters of a pound of Jerusalem artichokes, six to nine scallops and a quarter pint each of milk and cream for a first course for four to six people.

SINCE 1735 THERE HAS NEVER BEEN A QUARTZ BLANCPAIN WATCH. AND THERE NEVER WILL BE.



LONDON Carringtons, Mappin & Webb, David Morris, Garrard, London Hilton Jewellers, Tyme, Watches of Switzerland, The Watch Gallery

WEEKEND FT

SPORT

Golf/Ben Wright

It happened in Monterey

Sunshine proved to be this year's phenomenon at the AT&T tournament

ESCAPING THE ravages of winter to take in two early USPGA tour events in Phoenix, Arizona, and Pebble Beach, California, does not always guarantee time in the sun, as any migrant British and European golfers can attest.

Desert rain is all the colder for its unlikely arrival during the Phoenix Open late in January; while at the American Telephone and Telegraph (formerly the Bing Crosby) Pebble Beach National Pro-Am early in February, tens of thousands flock to the gorgeous Monterey peninsula, south of San Francisco, to wonder at nature's riches, watch golf, gawp at celebrities and trade weather stories.

It was in 1937 that crooner Crosby gathered a few of his golf professional and show business friends for his inaugural pro-am tournament, a humble 18-hole affair at Rancho Santa Fe just north of San Diego. It was won by a youthful hillbilly, Sam Snead, with a five-under par.

It was not until Crosby - who died in 1977 - moved the tournament to the Monterey peninsula in 1947, however, that the weather stories really started to proliferate. Time's passing has tended to make some of them annually more outrageous; but actor Jack Lemmon, who has never made the cut in the team event in more than 20 years, has sworn solemnly that his own favourite story concerning him is true.

One year, the rain was so torrential - and, my goodness, it can be that Lemmon was like a drowned rat when he entered a deep bunker on the 18th hole at Pebble Beach. He quickly pivoted his shot out of what had virtually become quicksand, asked his caddy where the ball had gone, and was told it was still stuck to the blade of his sand wedge.

Lemmon was even more embarrassed when he tried to leave - and couldn't, because he was sinking. His caddy pulled him out eventually by tugging on the sand wedge, but he left behind a buried golf shoe that was never seen again.

I digress if only to emphasise that, this year, there was hardly a cloud in the sky during the glorious weeks of both the Phoenix Open and the AT&T tournament. Tom Oliver, tournament managing director of the Pebble Beach Company which oversees that course, Spyglass Hill and new links at Spanish Bay - all three open to the public - had never in 20 years seen seven straight days of unbroken sunshine on the Monterey peninsula, at any time of the year.

It was almost a perfect fortnight for the European tour, too. Sandy Lyle arrived with less than a minute to spare for his final-round tee time at the Tournament Players' Club of Scottsdale in the Phoenix Open. He promptly shot 65 and was twice "presented" with his third victory on American soil when Fred Couples hooked his tee shot at the 18th into the lake to let Lyle into a play-off.

Incredibly, Couples did it again on the play-off's third hole, allowing the surprised second bogey of the day at this 493-yard par four while the fairway to the right of the water is no less than 62 yards wide.

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Sandy Lyle: got away with two bogeys in one day



Bernhard Langer: failed to win in America for three years

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AT&T advantage with a three-stroke advantage over his closest rival after seven brilliant holes at Pebble Beach. Most characteristically, the pragmatic Langer dropped five strokes to par in the next six holes and tied for fourth place. He has now failed to win in America for nearly three years.

European invaders have, however, once again served early notice of their ability to be a factor on the American tour. In addition to Lyle's Phoenix Open victory and Langer's Pebble Beach near-miss, Ken Brown tied for fifth at Phoenix while British Open champion Nick Faldo tied for third in the 54-hole, rain-shortened Tournament of Champions which he might conceivably have won. Lyle also tied for 12th at Pebble Beach.

Perhaps the most encouraging aspect of the early season, from the American point of view, has been the promising form of Tom Watson, who tied for ninth at Pebble Beach and sixth in last Sunday's Hawaiian Open, in which Langer was never a factor. However, the fact that Watson was never able to mount a charge in either event - he matched par of 72 in both final rounds - perhaps indicates that he can no longer regain the form that won him five British Opens. I hope he improves, because the US tour sorely needs him as a potential regular winner again.

Alas, Watson's short putting - like Arnold Palmer's, a tremendous strength when both only a distant fading memory. Watson was only one stroke off the lead last Sunday when he four-putted on the 10th green for a triple bogey that put him out of the hunt. Obviously, he is finding himself haunted by the spectre of these missed putts.

The only consolation is that even such legendary golfers as Hogan, Palmer and Jack Nicklaus have experienced this vile affliction. I remember the great Byron Nelson telling me many years ago that he had quit the tour prematurely because, at the height of his powers, his stomach was so nervous he was unable to get down even a boiled egg for breakfast. As those who have seen me recently will appreciate, that particular problem!

Merseyside so dominates the soccer scene that, if some budding entrepreneur did establish a super league, there would be only two teams in it. But while Everton and Liverpool gear up for yet another titanic clash tomorrow, today gives a pair of the also-rans a chance to shine. Arsenal and Manchester United, two of the great names of football history, meet in an FA Cup fifth round contest which seems likely, fickle finger of fate permitting, to produce one of this year's finalists.

Both have one recent trophy triumph to sustain their hopes. United won the FA Cup in 1985 against (who else?) Everton while Arsenal took the Littlewoods Cup last year against (you guessed it) Liverpool.

By normal standards, both have had respectable seasons. Arsenal are fifth in the Barclays League and are locked in a two-legged Littlewoods Cup semi-final with (of course) Everton; United are second in the League, behind (inevitably) Liverpool. But neither are likely to be satisfied with their achievements.

Liverpool's league lead is so large that, if it were a boxing match, the contest would have to be stopped to save the other clubs from further punishment. Yet Everton have beaten Kenny Dalglish's men this season and former Liverpool manager Bob Paisley went so far as to say, in his old club apart, he had never seen a worse First Division.

Supporters of both Arsenal and United would love to see him forced to eat his words, but he has still not solved the perennial Arsenal problem of scoring goals. He was switched from attack to midfield and finally banished to the reserves, but none of these age-old managerial stratagems brought out his best. In the end Graham gave up on Charlie, selling him to Aberdeen, but he has still not solved the Arsenal problem of scoring goals.

Two great names meet in a contest likely to produce an FA Cup finalist

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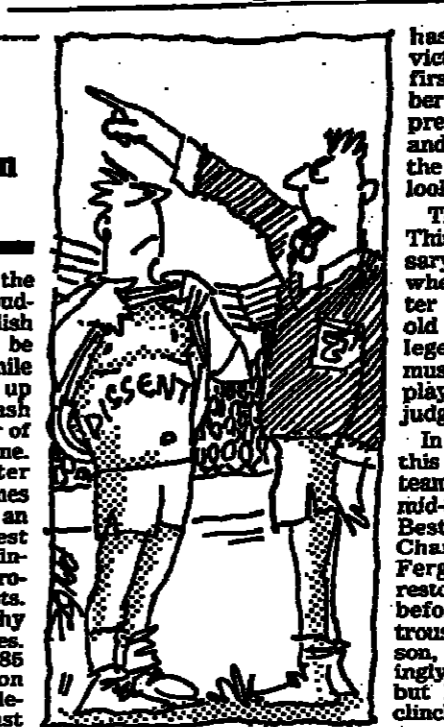
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After an excellent early-season run, Arsenal's recent form

Soccer/Philip Coggan



Mersey rules OK?

emerging Tony Adams, a promising midfielder (Steve Williams, Paul Davis, David Rocastle) and Charlie Nicholas. Charlie Nicholas, the crowd favourite, despite a formidable reputation when he arrived from Celtic, his time at Highbury was noted more for his activities in night clubs than at football clubs.

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After an excellent early-season run, Arsenal's recent form

has been patchy; last week's victory against Luton was the first in the League since December 6. The defence, despite the presence of Nigel Winterburn and Michael Thomas to replace the transferred Anderson, has looked distinctly fallible.

That must give United hope. This year is the 30th anniversary of the Munich air disaster, when most of a great Manchester side were wiped out. The old black and white films of legends like Duncan Edwards must ram home to the present players that tradition is a stern judge.

In fair terms, there is no way this team can match the United teams of the late Fifties or the mid-Sixties' pantheon of George Best, Denis Law and Bobby Charlton; but manager Alex Ferguson has managed to restore the club to its position before Ron Atkinson's disastrous last season. Under Atkinson, the team hovered tantalisingly near the top of the league but lacked the consistency to clinch the championship.

Where Ferguson has improved on his predecessor is that he seems to have found the goal-scoring United he needed. Last year, Brian McHair cost £250,000 when transferred from Celtic but has proved a bargain. He has found the net 19 times, second only to Liverpool's John Aldridge in the First Division. At the other end of the pitch, buying Steve Bruce from Norwich has made the defence more solid.

Much could depend on whether Bryan Robson, who seems to appear more often in *Emergency Ward Ten* than *Match of the Day*, is fit this afternoon. He missed England's international against Israel on Wednesday because of a pulled thigh muscle.

United appear to lack inspiration without Robson. Jesper Olsen often drifts out of the game while Norman Whiteside seems more concerned with physical battles in midfield than the business of winning.

An over-excited Whiteside could lead to an unpleasant match. While Arsenal are not a dirty side, they are prone to excessive displays of dissent. Steve Williams, the chief culprit, has been sent to the reserves, the average Arsenal match contains more vintage whines than an Oxbridge cellar.

Who will win? On recent form I backed United, although probably only after a replay. They provided the away goal against whichever of the Merseyside clubs is victorious, they will go on to reach the final.

SATURDAY

Indicates programme in black and white. LONDON 6:00 am TV-am Breakfast Programme, 9:25 7:15, 11:00 Terrahawk, 11:50 The Firm, 12:30 pm The Fall Guy, 1:00 News, 1:30 News, 2:00 News, 2:30 News, 3:00 News, 3:30 News, 4:00 News, 4:30 News, 5:00 News, 5:30 News, 6:00 News, 6:30 News, 7:00 News, 7:30 News, 8:00 News, 8:30 News, 9:00 News, 9:30 News, 10:00 News, 10:30 News, 11:00 News, 11:30 News, 12:00 News, 12:30 News, 1:00 News, 1:30 News, 2:00 News, 2:30 News, 3:00 News, 3:30 News, 4:00 News, 4:30 News, 5:00 News, 5:30 News, 6:00 News, 6:30 News, 7:00 News, 7:30 News, 8:00 News, 8:30 News, 9:00 News, 9:30 News, 10:00 News, 10:30 News, 11:00 News, 11:30 News, 12:00 News, 12:30 News, 1:00 News, 1:30 News, 2:00 News, 2:30 News, 3:00 News, 3:30 News, 4:00 News, 4:30 News, 5:00 News, 5:30 News, 6:00 News, 6:30 News, 7:00 News, 7:30 News, 8:00 News, 8:30 News, 9:00 News, 9:30 News, 10:00 News, 10:30 News, 11:00 News, 11:30 News, 12:00 News, 12:30 News, 1:00 News, 1:30 News, 2:00 News, 2:30 News, 3:00 News, 3:30 News, 4:00 News, 4:30 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